

Audience Development AND DISTRIBUTION STRATEGIES

A Primer for Nonprofit News Organizations

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Table of Contents

Prologue	4
I. Introduction	6
Where Are We?	6
Paths to Sustainability	8
Our Approach	9
What Will You Find?	9
Acknowledgements	10
Legal Notice	10
II. The Landscape	11
Current Realities	11
New Market Dynamics	11
The Risks Are Real	15
Market Trends for Revenue Generation	16
III. Planning a Nonprofit News Organization	18
The Stakeholders	18
What Are Your Mission and Value Proposition to Your Audience?	19
Feasibility: Mitigating Risk and Optimizing Your Market Position	21
What Kind of Organization Will You Build?	23
How Will You Fund Your Organization?	25
Be Flexible, Iterative and Prudent with Precious Resources	31
IV. Finding and Engaging Your Audience	33
A. Direct Audience Strategies: Understanding, Building and Monetizing	35
B. Distribution: The Fundamentals of Content Distribution Deals	45

V. Paths to Sustainability	60
No Room for Not Invented Here Syndrome	60
Maturity Models: Benchmark Growth and Stability Over Time	64
Staffing and Measurement	67
VI. Conclusion	70
VII. Appendix	73
Figures	73
Interview List	74
Resources	76
Bibliography	79
Articles and Posts	79
Research Reports	82
Conference Findings	84
Books	84
The Author	85

Prologue

“We, representatives of nonprofit news organizations, gather at a time when investigative reporting, so crucial to a functioning democracy, is under threat. There is an urgent need to nourish and sustain the emerging investigative journalism ecosystem to better serve the public.”

– The Pocantico Declaration, July 1, 2009.

Charles Lewis's words in that declaration remain true today. Since its inception in July 2009, the Investigative News Network has moved from concept to reality. Our nonprofit member organizations are actively engaged in multiple collaborative, cost saving and revenue generating programs designed to help shine a continued bright light into the corners of our society and hold the powers that be accountable.

Our movement has become a viable force in the production of independent reporting focused on the important stories that commercial media cannot. In fact, INN members are 100% focused on consistently producing this important and expensive content. That said, these are tough economic times and the models to support journalism – in both the commercial and nonprofit sectors – are in flux.

We understand that without philanthropy, especially support from national foundations focused on journalism, our nonprofit movement would not exist. We also understand that these foundations cannot be expected to foot the bill indefinitely and that our member organizations must increase the number of revenue streams supporting their journalism including related earned income and increased local community support.

The problems that today's news organizations face are complex for even the savviest publisher and can be daunting for journalists who newly find themselves in the role of entrepreneur. It is essential, therefore, that we work to share knowledge within our community to provide practical guidance on how to tackle the important issues of audience and revenue development. That is the purpose of this, INN's first whitepaper.

Whether you are a start-up nonprofit journalism organization looking for concrete steps to take towards sustainability, or a donor seeking to support a nonprofit, this paper offers practical information for you.

It is the first in what we hope will become a series of equally practically focused documents that will help organizations within our network develop robust, sustainable and valued information streams that serve well-defined constituencies.

The report that you are about to read took many hundreds of hours of work and included over 50 interviews with knowledgeable people including members, customers and foundations who were willing to share their knowledge and sacrifice their valuable time in order to make this work possible.

I would like to thank principal author Elizabeth Osder, editor Evelyn Larrubia and contributing writer and research analyst Kaizar Campwala for their unswerving devotion to the project.

I would also like to express deep gratitude to the foundations and philanthropists that support the Investigative News Network in order to make our services available to the nonprofit journalistic community as a whole – and to the INN Board, whose guidance and insight keep us focused on the issues that are most important to our membership.

Thank you to the John D. & Catherine T. MacArthur Foundation, the Ethics and Excellence in Journalism Foundation, the Robert R. McCormick Foundation, the Rockefeller Brothers Fund, the Open Society Foundation, the Knight Foundation and R. B. “Buzz” Woolley, Jr. Without your devotion, insight and vision, none of this would be possible.

Lastly, I would like to thank the hard-working journalists who had the courage to launch these cutting-edge newsrooms, not for personal aggrandizement or gain, but solely because of their rock-solid belief in the importance of an informed populace.



Kevin Davis
CEO and Executive Director
Investigative News Network

I. Introduction

Much has been written about the state of American journalism, and hundreds of millions of dollars have been granted to various entrepreneurial initiatives, from software development to investigative journalism. In 2011 alone, notable organizations including Pew Research Center and the Project for Excellence in Journalism, the Shorenstein Center on the Press, Politics and Public Policy at Harvard, The Knight Commission for Information Needs of Communities, the Tow Center at Columbia University, and the Federal Communications Commission have published important reports on today's challenges. But the volume of the work alone can sometimes make it difficult to place these reports into context, extract best practices, and take direct action.

This report is directed at the Investigative News Network membership and its supporters. It is intended to provide explicit strategic and tactical advice for growing earned revenue streams from audience development and paid distribution for the purpose of diversifying funding. It will also explain how those activities contribute to the overall operating health and sustainability of nonprofit investigative news organizations.

This work should be iterative; consider it a 1.0 release. As the movement continues to mature, these basic frameworks and assumptions will continue to evolve and best practices, solid performance measures, and realistic operating assumptions will codify.

We hope that this research will have broader interest outside INN and the foundations that support it, including members of the public and the growing diaspora of journalists leaving established news organizations that may be contemplating starting their own independent nonprofit news organizations.

Where Are We?

We started with a few simple assumptions: First, we know that INN members are top-tier journalists, master craftspeople who know good journalism and how to produce it. Second, we know that most of them didn't become journalists to run a business; they enjoyed careers in newsrooms in an era of abundance, where adherence to a journalist's code of ethics¹ and winning accolades from colleagues and professional organizations were the trusted measures of success.

But the era of fat profit margins at newspapers has passed, and with this change comes new challenges. Investigative journalists can take comfort in knowing they are not the first to confront the economic realities of an upended business model. Other media and creative types – even nonprofits in other fields – have encountered similar challenges and their experiences and adaptations provide many lessons. Penny Muse Abernathy, Knight Chair in Media Economics at UNC

¹ Society of Professional Journalists, Code of Ethics, <http://www.spj.org/ethicscode.asp>

Chapel Hill notes, “Because newspaper people haven’t thought about it, it’s not that it hasn’t been thought about by others,” (interview, August 28, 2011). Some examples of creative solutions from other industries include:

- Magazines including National Journal, The Economist and The Nation have for decades offered events, cruises, membership and special reports to supplement their bottom line and fortify their relationships with readers.
- Documentary filmmakers that produce investigations have long had to fight for funding and distribution, gracefully wearing sales and marketing hats side by side with their journalist’s fedora.²
- Movie studios understand that using film release windows extracts the most value out of a single production by segmenting the distribution channels and giving each outlet a period of valuable temporal exclusivity.
- Performing arts companies, understanding that the going price of a ticket could not completely pay for elaborate productions, have sought support from foundations, corporations, and high net-worth individuals. ProPublica’s General Manager Dick Tofel notes, “when was the last time the price of a ballet ticket covered the cost of the production?” (interview, July 28, 2011).

Journalism in the public interest—that which provides checks and balances on government, corporations, and individuals who might take advantage of the public trust – holds a special place in our society. Unfortunately it has always had difficulty fitting into the rubric of market-based pricing. As a product it is expensive to produce, requiring time, experience, subject matter expertise, and dogged dedication to routing out the facts that can build into history-making stories. Impact can be perplexing to measure. And delivery alongside commodity content in daily news products (a news broadcast, website, newspaper, or magazine) makes it difficult to charge enough for the content to approach covering costs. Public broadcasting fills an important role, but it cannot fulfill completely the demand for content, particularly in politically and financially troubled times.

As a result, investigative reporting has always been subsidized. Subsidies have come in a variety of flavors, from foundations, underwriting and membership programs in public broadcasting, to advertising and subscription in commercial media, to resale of content through syndication, and to the journalists themselves, who have certainly worked for more modest salaries than their skills might command in commercial enterprises.

Investigative journalism organizations, even nonprofits, must grapple with the realities of running a sustainable operation, something with which journalists themselves may have had little to no experience or comfort. Oakland Local’s Editor and Publisher Susan Mernit has cautioned colleagues to “not set something in motion you can’t support,” (interview, June 30, 2011).

By creating an organization instead of offering your experience and expertise for hire as a freelancer, you are choosing to embark on a journey that may be more dominated by the challenges of running a business than by producing journalism.³

² Confessions of a Documentary Filmmaker: 12 Things I Wish I’d Known Before I Started My First Film, <http://www.filmmakingstuff.com/12-tips-how-to-make-a-documentary/>

³ Public Broadcasting Act of 1967, http://en.wikipedia.org/wiki/Public_Broadcasting_Act_of_1967

It is challenging to build a brand, create content, find and engage an audience, and set the right price for your products. The Investigative News Network has begun the process by coalescing what has been a movement of a “thousand flowers blooming” into a network. Through efficiencies of scale, this network can help reduce costs and complexity, and can provide centralized services, expertise, guidance, and product development support. Organizations like INN can make professional management affordable for dozens of large and small organizations ranging from grassroots and community sites to large-scale multimillion-dollar nonprofits.⁴

Through extensive interviews with INN members, we found that even the most mature and sophisticated among them still consider sustainability their primary business challenge. Robert Rosenthal, Executive Director of The Center for Investigative Reporting, a 30-year old organization that has substantially changed its model to multimedia production and strategic distribution over the past five years, said, “Our new model is successful and has stunned funders. However, it’s totally fragile. Since it is a complicated process, we can’t control our pipeline of revenue sources, and foundations change and evolve their interests and measures,” (interview, August 12, 2011).

Paths to Sustainability

The nonprofit investigative news ecosystem remains, as Rosenthal notes, fragile. At times during our research, we felt it resembled more of a multi-vehicle collision of various and at times conflicting stakeholder goals and operating tactics than a well-orchestrated movement. However, out of this chaos the ingredients for a successful formula are starting to emerge.

The time seems right to help members better understand the levers that can be pulled to efficiently impact their organizations’ sustainability. We have tried to bring to the surface three key operating frameworks that members must understand, exploit, and eventually master to manage their outcomes: Audience/Community Development, Content Distribution, and Maturity Models for revenue diversity over time.

Management doesn’t have to be a dirty word, since its most basic definition is quite useful to INN members: Motivating people to accomplish set goals and effectively and efficiently using resources. As Dick Tofel of ProPublica suggests, “you have to be hard-headed about business since the numbers need to add up, and you can’t confuse the top with the bottom line,” (interview, July 29, 2011). He is, of course, talking about confusing revenue with profits or sustainability.

In keeping with the founding mission of INN and the Pocantico Declaration, we hope that this report contributes to the body of work that will forward INN’s ambitious mission:

“...to aid and abet, in every conceivable way, individually and collectively, the work and public reach of its member news organizations, including, to the fullest extent possible, their administrative, editorial and financial wellbeing. And, more broadly, to foster the highest quality investigative journalism, and to hold those in power accountable, at the local, national and international levels.”

⁴ Knight Community News Network Foundations that fund News http://www.kcnn.org/toolkit/funding_database

Our Approach

The authors hope to provide a pantry of ingredients, along with some recipes in the form of frameworks that INN members can reference in achieving their operating goals. For INN as a whole, this report begins to define a shared approach to how members think and benchmark their paths to sustainability.

This report was researched over the summer and fall of 2011. We conducted over 50 interviews with INN members, industry leaders, and academics.

Nearly half of our interviews were with what we call the “demand side” of potential customers and distribution outlets for the journalism produced by INN members. We gathered an extensive list of “value drivers,” or, as we came to call them, “distribution partnership offerings.” We also inventoried how INN members have been compensated for their content. We hope that these approaches will help INN members mature their business development processes and align their journalistic offerings with market needs.

We did not interview all INN members, but rather gained insights from a representative cross-section of the membership. From these interviews we sought to codify archetypes of member organizations; the archetypes allow us to map our findings into categories that we hope will be more useful than attempting a one-size-fits-all approach.

There is an abundance of information and opinions from associations, bloggers and other institutions around topics related to journalism sustainability, nonprofit media, and the like. We have tried to reference the resources that are most directly applicable to INN members for answering the most basic blocking and tackling questions such as “Who is out there?” and “How do I achieve this result?”

We conducted a rigorous literature review to draw on the more objective fields of economics and management. To that end you will find an extensive list of papers, conference findings, and books in the appendix of this document.

Finally, we are also drawing on our own experience as editors, producers, media executives, and consultants working for The Osder Group, on journalism, operations, and business development for clients on both the creation and distribution side of the equation. These clients include ProPublica, AOL, The Daily Beast, Public Affairs Television, The Nation, HBO, Participant Media, The Wrap, Reynolds Center, and Paid Content, as well as principal author Elizabeth Osder’s direct experience serving on boards, including the Online News Association (founder), the *Columbia Missourian*, the American Cancer Society and the Florence Fund.

In the most basic terms, we aim to provide INN members with knowledge they can tap to move their organizations forward on a path to sustainability.

What Will You Find?

- The Landscape: An overview of market conditions that catapulted the nonprofit investigative news movement into existence. Many of these trends suggest a great deal of opportunity for nimble investigative journalism shops; however, the challenges of building economies of scale and managing multiple, fragile distribution channels and funding sources remain persistent.

- Planning a Nonprofit News Organization: What are your mission, strategy and organizational archetypes? What kinds of journalism will you do and what impact do you want to have? How does your mission shape your product, distribution, and organizational and operating strategies (products, people and technology)? What will it take? Is it feasible?
- Engaging Your Audience/Community: What is your target audience? Where will you reach it and how will you prove your impact? This paper will take a deep dive for INN membership on the fundamental questions regarding:
 - Audience Development: How should INN members go about conceiving and developing their own audience or strategy for having a site based on traffic vs. impact, etc.?
 - Distribution: How should INN members think about distribution? What does a partnership look like, and how should you negotiate one? How can you be compensated? Who are the best partners based on your goals?
- Paths to Sustainability: What does success look like? How does your organization stay nimble and entrepreneurial, while at the same time maturing its operations? How will you grow earned revenues, chart a course to sustainability, and lessen your dependence on philanthropic support over time?
- Conclusions: What does the future hold for nonprofit investigative journalism? We offer some suggestions and thoughts on the road ahead.
- Appendix, Bibliography, Figures and Resources: Background material on this report, interviews, reference materials and the authors.

Acknowledgments

We would like to thank the members of INN and other media and content business professionals that made their valuable time available for this report. There is a complete list of interviewees and references in the appendix. A special thanks to Kevin Davis, CEO and Executive Director of INN, Brant Houston, Chair of the Board of INN and the INN team including Evelyn Larrubia, who provided invaluable editing, and Rich Robinson and Shelby Ilan for helping us coordinate a long list of meetings. Thanks also to Michaela Grey for copyediting and style guide, and to Aehrich O'Dubhchon for graphics and layout.

Legal Notice

The information provided in this paper is for educational purposes only. The extent to which an organization may engage in a particular income-generating activity will often depend on the organization's tax-exempt status, its agreements with other entities, and potentially other legal or practical considerations. We recommend that you consult with qualified legal counsel prior to launching any such activity or, if possible, during the planning stage, as seeking legal advice early in the process can sometimes help to avoid costly errors.

II. The Landscape

"News has to be subsidized because society's truth-tellers can't be supported by what their work would fetch on the open market. However much the Journalism as Philanthropy crowd gives off that 'Eat your peas' vibe, one thing they have exactly right is that markets supply less reporting than democracies demand. Most people don't care about the news, and most of the people who do don't care enough to pay for it, but we need the ones who care to have it, even if they care only a little bit, only some of the time. To create more of something than people will pay for requires subsidy."⁵ – Clay Shirky, 2011

A landscape view can be a daunting and sobering experience for journalists. As we have already discussed, if you scratch the surface of serious journalism, you quickly find that market-based pricing has never covered its full cost.

There has been some debate over exactly how much money has been invested in non-profit news; it's been difficult to track. In June, J-Lab updated its database of philanthropic activity in nonprofit news. It found that over the past five years, nonprofit news sites attracted \$187 million in grants from 274 foundations. The money was doled out in 775 grants to 146 projects in 23 states.

Though this may seem like good news, those grants are short-term. Long-term sustainability for these organizations will require a diversified funding model for the development of a product (website, publication, YouTube channel) and/or a strategy that is weighted to content distribution and impact (getting the right message on the right channel at the right time).⁶

Current Realities

New Market Dynamics

Technological changes have shifted the media landscape and undercut the tidy economics built on the bundling of content into a limited number of distribution channels. Today journalism has become unbundled from traditional packages, through blogging, portals, and the endless-channel universe of the Internet. This has fragmented audiences, and created fierce competition for the most precious commodity in the information economy: attention.⁷

⁵ Shirky. "Why We Need the New News Environment to be Chaotic" July 2011

⁶ News Entrepreneurs Blog <http://newsentrepreneurs.blogspot.com/2011/06/news-organizations-have-attracted-187.html>

⁷ Lanham, Richard A. *The Economics of Attention: Style and Substance in the Age of Information*. Chicago: University of Chicago, 2006.

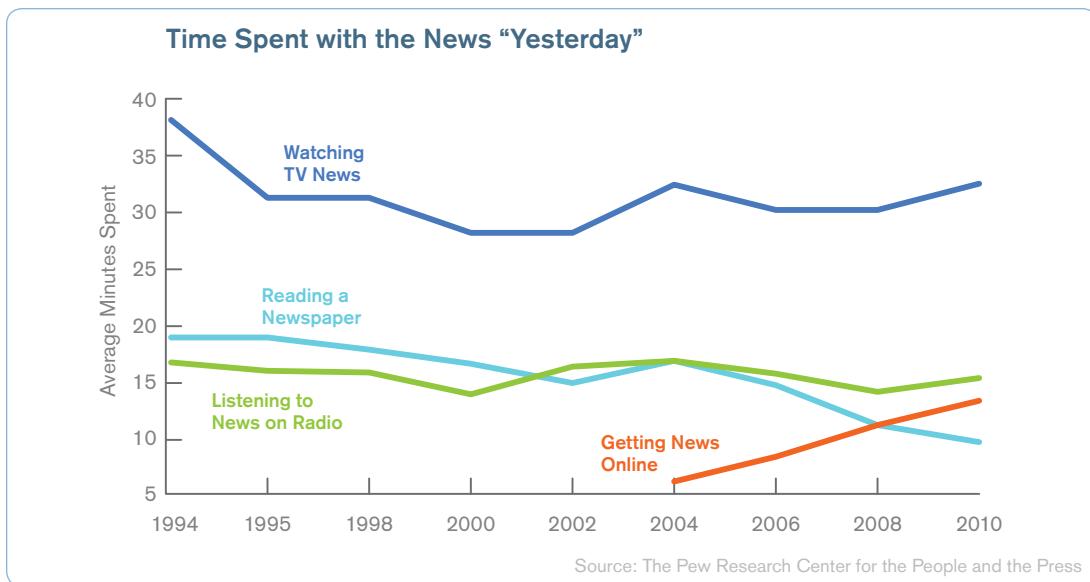


Figure 1 | Time Spent with the News “Yesterday”

A fragmented media market with dwindling audience attention requires product-marketing discipline. You need to listen to the market not only for the stories that can make a difference, but also to identify opportunities for packaging and distributing those stories in the most productive way. In the product-marketing world, good products that are well marketed (delivering the right message, at the right time, in the right channel) to a clear customer often find success.

The forces that destroyed the profits that underwrote great commercial journalism have not gone away. In order to avoid a similar fate, INN members need to confront these market realities and keep their eye on the bottom line.

The other, more hopeful side of the coin is the emergence of a new media ecosystem that allows content creators to publish cost-effectively and find audiences with a degree of efficiency and scale unimaginable in the past.

These conditions have ushered in a new era and have begun to redefine the role and scope of journalism that dominated the last century. Abernathy and Foster, in their paper “The News Landscape in 2014: Transformed or Diminished?” describe the effects of “creative destruction” on industries under assault: “Economists often invoke the image of a shoreline, battered by turbulent seas. As the waters begin to recede, what is most visible initially is the damage to the landscape. But, they stress, “the retreating waters also leave behind the seeds of eventual economic revitalization.”⁸

Today more Americans are getting their news online than from newspapers.⁹ While it is true that traditional media such as print, television, and broadcast are still important ways of reaching news consumers, now you can also reach them online, on their phones, through social media, and directly at their electronic inboxes.

⁸ Abernathy, Penelope Muse and Foster, Richard. “The News Landscape in 2014: Transformed or Diminished? (Formulating a Game Plan for Survival in the Digital Era)”. Presented at conference sponsored by Yale University School of Law, November 2009. <http://jomc.unc.edu/images/newslandscape2014.pdf>

⁹ “State of the News Media 2011”. Pew Research Center Project for Excellence in Journalism. <http://stateofthemedia.org/2011/>

Digital First, Separation of Content from Distribution

Digital content is like liquid; it can be poured into any news product, but at a cost to design, develop, deploy, and promote. Media companies (with the exception of news services, syndicates, production companies, and freelancers) have long acted as both content creators and distributors. Profits from distribution activities subsidized the cost of content creation. In the new marketplace, production of content has been cost-effectively unbundled from distribution, opening up a huge number of choices about how and where to find an audience. Just because you can write once and publish across many platforms doesn't mean you should. Decisions about how to distribute, bundle and productize your journalism require disciplined prioritization and measurement. You need to ask yourself: "Does the value of this channel justify the complexity and cost of delivering it?"

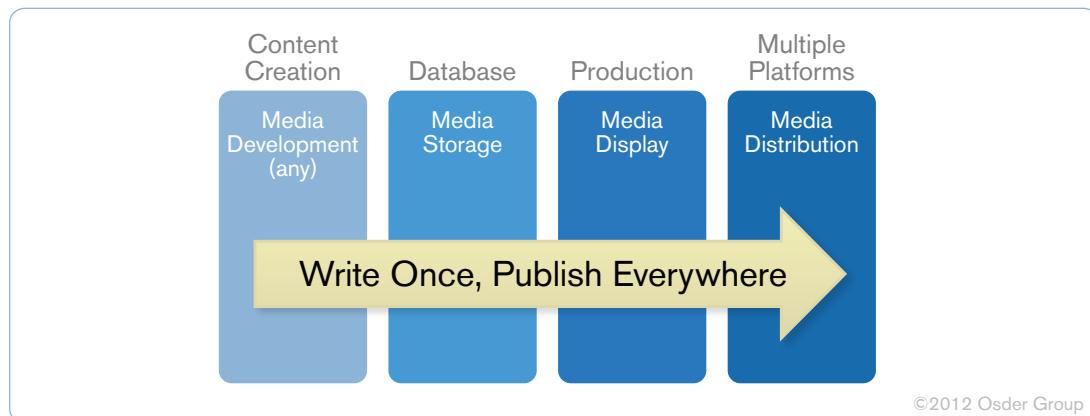


Figure 2 | Media Production Value Chain

Mass Media is in Decline, Channel Management is on the Rise

The exponential increase in information channels ushered by new technologies has diminished the reach of newsprint and broadcast news. Aided by tools like Google, Twitter, and Facebook, consumers can now find the content they are interested in across thousands of information publishers online. To maintain mass reach, media companies are increasingly forced to package their content and distribute it across a variety of channels, from online to mobile to apps. Revenue and production management across a growing array of channels will continue to be a challenge for the foreseeable future. Tried and true time-based broadcast style promotion (using email, social media, events, and partner promotions) is essential to bringing your audience back. Being organized is only the beginning; classic project management skills and frameworks that remind us of the challenges of maintaining quality in the face of increased scope, and limited

resources and time can come in handy but are generally applied in a far more agile way. In the example here, the challenge is to maintain an equilateral triangle, so changing one dependent variable (scope, schedule, or resource) requires a change in the others.

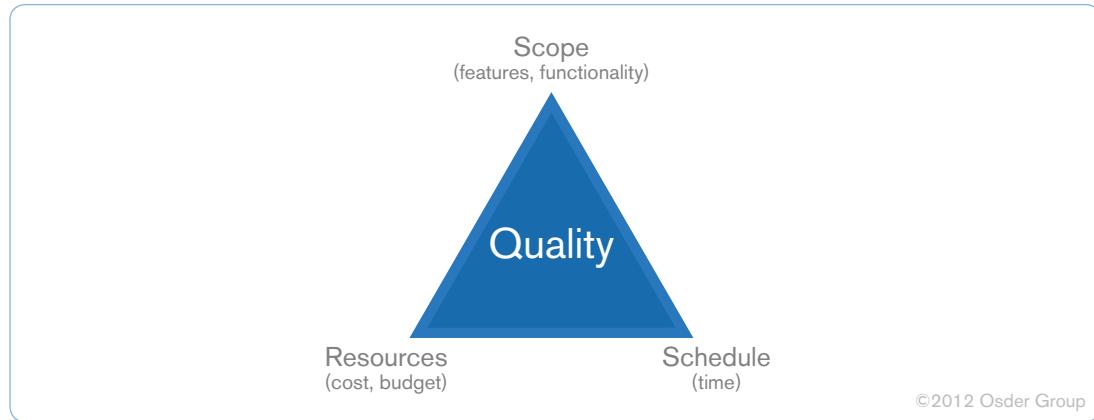


Figure 3 | Project Management: Balancing Limited Resources

Cost Cuts Can Create Opportunity

Failing business models, bankruptcies, consolidation and reorganizations have pressured commercial news organizations to reduce fixed costs across the board. Coverage of public policy issues has been disproportionately affected, due in part to layoffs of older, experienced (and more expensive) journalists who have traditionally covered these complex topics (Penny Abernathy, interview, August 24, 2011).

As news executives look to continue reducing fixed costs, they are more likely to entertain variable cost solutions like outsourcing and collaborations. There are countless examples, with varying degrees of success. Examples of outsourcing include the Pasadena, California news site outsourcing its city council coverage to India (via video stream)¹⁰; to Demand Media, the well-known “content farm,” producing the travel section for USA Today¹¹; to the Journal Register Company outsourcing all printing, distribution, pre-press ad make up and page make up.¹²

The Journalism Marketplace: A Colorful Market for Valuing Content

The marketplace for INN member sites and content still resembles a colorful bazaar where, as this picture shows, it's often difficult to discern:

- Who is doing the selling and who is doing the buying?
- What are they selling?
- How are they packing and promoting (a beautiful sign, a pretty bag, or a baker's dozen)?
- Why buy from one vendor and not another (quality of goods, uniqueness, credibility of the vendor, pre-existing relationship, or the recommendation of a trusted friend)?



Figure 4 | The New Media Marketplace: Colorful but not clear

¹⁰ Pasadena Paper Outsources City Council Coverage <http://www.npr.org/templates/story/story.php?storyId=10131857>

¹¹ Ken Doctor (Phone Interview, 19 August, 2011.)

¹² “John Paton on newspapers’ future” – <http://newsinnovation.com/2010/01/11/john-paton-on-newspapers-future/>

Issues of pricing are still immature, and there is not enough combined scale in the market or clear editorial budgets for pricing to become more standardized.

The Risks Are Real

The explosion of nonprofit news sites bodes well for innovation in the industry. But it's unlikely that all of these organizations will find a path to sustainability. For some perspective, approximately 75% of nonprofits registered in the United States fail in the first year. Although many reasons are cited, some of the most common include:

- Lack of planning
- Over-expansion
- Poor management
- Insufficient capital
- Poor diversification of funding

These factors are similar to new small businesses, 50% of which fail in the first five years, according to the U.S. Small Business Association.¹³

The National Venture Capital Association estimated that 40% of venture-backed companies fail, 40% return moderate amounts of capital, and 20% or less produce high returns.¹⁴ In his blog post titled "Why Early Stage Venture Investments Fail," Fred Wilson, founder of Union Square Ventures in New York writes, "Most venture backed investments fail because the venture capital is used to scale the business before the correct business plan is discovered. That scale/burn rate becomes the cancer that kills the business... capital efficiency and bootstrapping are critical values. You must keep your burn rate low until you can show without a shadow of a doubt that you have a business model that works, can be operated profitably, and is ready to be scaled. Then and only then should you step on the gas."¹⁵

Values for Today's Journalism Marketplace

Market Driven Products Require Ongoing Conversations with Customers

Despite all the talk about entrepreneurship and innovations, the journalism business still seems largely trapped in a 19th century factory production model. Just as good journalism requires a variety of sources and rigorous fact checking, the organizations working to bring a journalism product to market must have an ongoing conversation with that market about its needs (not for the journalism itself but for how it is packaged) and align their products with those opportunities. What we learn from startups and product companies is that flexibility in how products are packaged, deals are made, and customers are acquired are the ingredients of successful organizations. That knowledge and feedback comes from ongoing customer conversations.

In a Sea of Commodity Content, Craft Matters

One of the most encouraging things we heard repeatedly is that the fundamentals of the craft still matter greatly. It's not only the quality of the investigations that matters, but also the quality

¹³ Small Business Failure <http://usgovinfo.about.com/od/smallbusiness/a/whybusfail.htm>

¹⁴ Venture association FAQ http://www.nvca.org/index.php?Itemid=147&id=119&option=com_content&view=article

¹⁵ Why Early Stage Venture Investments Fail <http://www.usv.com/2007/11/why-early-stage.php>

of the writing and copy-editing, the production value of related materials, the documentation, and the fact checking and sourcing. A well-written, well-researched, well-executed (balanced, accurate and fair) piece still matters to partners and consumers as described by Shirky, "who care to have it, even if they care only a little bit, only some of the time." To that same end, craft and experience matter in all of your hiring including the related functions of business, technology, marketing, and social media.

Credibility is King, Relationships Matter

It matters by whom and where investigative journalism is done. Credibility is built over time and founded in trust. Opportunities to deliver impact continue to be bolstered by standing relationships with trusted sources, and influencers, and career-long relationships with decision makers at potential partner sites. In building a new news brand, success comes from building relationships with not only your audience but also all of the stakeholders your news product will serve.

Story Selection is Fundamental

Story selection is perhaps the most obvious, but largely overlooked key attribute of nonprofit investigative news. The stories these organizations choose to pursue and how closely those stories align with their stated mission is core to INN members defining and achieving success. Selecting the right story and managing the correct resources to deliver it remain key. If a story is unique, finds an audience, goes viral, and activates public or key figure influence, it is successful.

The Wisdom and the Work of the Crowd: Collaboration is the New Norm

Cost cutting, distributed workforces, networked resources, and the rise of citizen journalism are some of the ingredients of a fresh approach to journalism. Where once hard lines were drawn between journalists, media companies, sources, and citizens, today's collaborative opportunities represent a new frontier still to be fully explored. This is an area rich in debate and conversation, with collaborations between media and the public being championed by Jay Rosen and entrepreneurial training groups like J-Lab. A recent paper titled "Partners of Necessity: The Case for Collaboration in Local Investigative Reporting" by long time Oregonian Editor Sandy Rowe is useful for further exploration of this powerful and promising trend.¹⁶

Market Trends for Revenue Generation

It takes time for definitive trends to emerge from a disrupted market. Our research revealed dozens of angles, nuances and "trendlets." What follows is a short list of those that seem most relevant to INN members. We are sure this list will continue to grow.

Unlocking the Value of Data

Data journalism may have started as the domain of highly specialized "computer-assisted reporting" specialists, but decades later, it has become a vital tool in many journalists' toolboxes. Collecting, accessing, and analyzing large datasets has become easier, and thus cheaper than ever. Some of the most innovative news organizations, including many nonprofit newsrooms, are building expertise in handling ever more complicated data and using them to tell important journalistic stories.

¹⁶ Rowe, Sandy. "Partners of Necessity: The Case for Collaboration in Local Investigative Reporting." Joan Shorenstein Center, Harvard University, #D-62, June 2011. Web publication.

¹⁷ Expert Network Report <http://secure.integrity-research.com/imageweb/executivesummary-expertnetworks.pdf>

Expertise Is a Premium Product, and Could Call for a Premium Price

Expert networks, which supply marketers with domain experts for product development, have grown into over a \$300-million business¹⁷ over the past decade, reflecting the potential value of subject expertise. When the assignment calls for it, there's clearly an appetite for experience, and in the broader market the subject matter expertise of INN member organizations may represent opportunity. The Public Insight Network project of American Public Media is one example.

Packaging and Bundling

The next phase of report once, publish everywhere is optimizing your content for the right distribution channel. Whether that means localizing a national story to a region or creating a video presentation of a 3,000-word investigative piece, journalists need to become more willing to take charge of the packaging and bundling of their content for different channels. The value-add that member organizations bring is being able to customize the “package” and its related graphics, photos, data sets, etc., for individual partners. That flexibility may in many cases greatly enhance opportunities for distribution, allowing a story to achieve an audience of scale and resulting impact.

Narrowcasting and the Freemium Model

The proliferation of media sources has made it difficult for consumers looking for consistently reliable information on topics important to them. These consumers have shown a willingness to pay for information that matters deeply to them. In a “freemium” model, a product or service is given away for free to the majority of users. A small minority sustains the business by paying for enhanced services that are of value to them. Because the Internet has reduced distribution costs to practically zero, the freemium business model has begun to show success. Publishers ranging from Consumer Reports to McGraw Hill to the Financial Times have realized that they only need to monetize a narrow spectrum of very interested consumers to achieve financial sustainability and profitability.

III. Planning a Nonprofit News Organization

INN members may look similar in their nonprofit public interest journalism charge, but they differ in their approaches to finding and building their audiences and funding their operations. Four things we heard over and over again from members:

- “You shouldn’t start one of these if you are just a journalist looking for a job.”
- “It’s easy to fall in love with an idea or product, but please test it first.”
- “Had I known what I was getting into, I don’t know if I would have done it.”
- “What we are doing today doesn’t look anything like we thought it would.”

The Stakeholders

The basis of a market view lays in an understanding of stakeholder needs and motivations. The group as a whole represents the people, groups, and organizations that make up the commercial market and form the foundation of our civic life, the ultimate customers of investigative journalism: “... the ones who care to have it, even if they care only a little bit, only some of the time.”

Figure 5 | Stakeholders in Nonprofit Public-Interest Journalism

Stakeholders	Motivation
The Public/Citizens	Citizens rely on public-interest journalism to educated them about the activities of entities such as governments, corporations, and other power centers that might take advantage of the public trust.
Philanthropic Foundations	Many foundations are chartered to fund activities that are critical to a functioning democracy.
Public Media	Public Media (radio, TV) are chartered to distribute educational content that may not get distribution through commercial channels.
Commercial News and Information Companies	Distributing investigative, public-interest journalism is important to commercial news companies to build credibility and ultimately contribute to healthier organizations.
Journalists	The personal brand of many journalists is tied to the production of investigative, public-interest journalism.
Corporate Underwriters and Sponsors	Business and other organizations that care about the mission, and are interested in reaching an audience through journalism.
Advertisers	Business and other organizations are interested in reaching an audience through journalism.
Government	As the Founding Fathers stated, an informed citizenry is key to a healthy democracy.

What are Your Mission and Value Proposition to Your Audience?

It's not in the scope of this report to chronicle in any depth the broader pillars of sustainability, including funding strategies and diversification, legal and tax issues, and the specifics of program development outside journalism (events, membership, etc.). But it is useful to take a quick look at the high level question of motive before venturing into the weeds of how you approach audience development and distribution.

In consulting with journalists looking to build new news organizations, we often try to pull back the lens, coax out the distractions of important stories and product features, and instead focus on the broader mission of the journalism they do and its desired impact.

It often starts with two simple questions and the most basic "Mad Lib approach;" business people call these problem and success statements. Whatever you call it, rigorously debate these questions to help clarify your thinking, challenge your assumptions, set your priorities, and flesh out the issues that will stand between your brilliant idea and a path to sustainability.

- "We will solve _____ problem for X stakeholder and provide _____ benefit to Y stakeholder"
- If we are successful, we will have accomplished this for _____ and built a sustainable organization that looks like _____.

We generally workshop ideas related to an organization's mission aggressively before jumping into the tactical checklists of "I want a website." "I need to file my nonprofit papers." "How do I register a URL?" "Which content management system should I use?"

In our experience, we find that all too often journalists confuse their mission and strategy with their operational tactics. Executing a strategy is really just thoughtful tradeoff between a set of available options.

Driving from mission can create clarity, and bring discipline to your thinking. It can also help you sort your ideas, and do a bit of a reality check before embarking on complex planning, grant writing, and other necessary tasks.

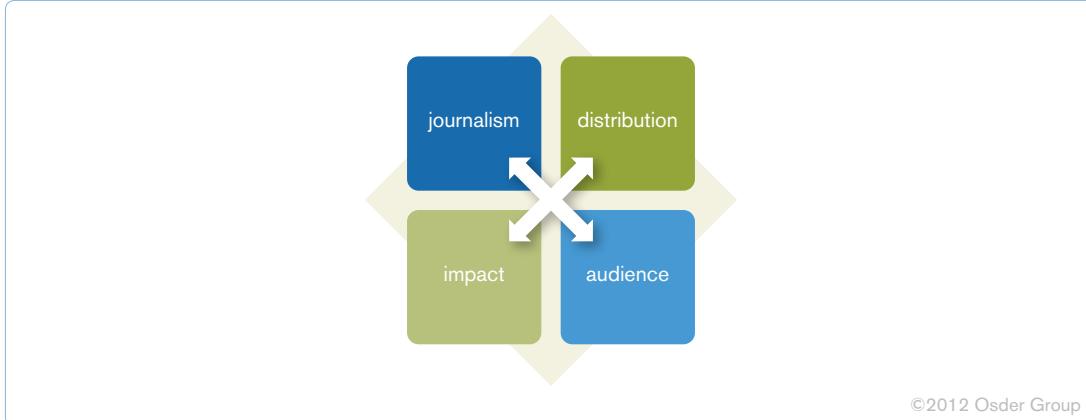


Figure 6 | Balancing Mission and Business

We have framed this relationship as four quadrants with dependencies between the mission axis (journalism and impact) with the product axis (distribution and audience). The simple questions we ask can provide powerful clarification for how to move forward into the market.

- **Journalism:** What kind of work will you do, produced how frequently and grounded in what traditions and principles?
- **Impact:** What kind of impact do you expect your brand of journalism to have? The desired impact helps further define the mission and goals of the effort.
- **Audience:** What audience do you need to reach – can you get specific, targeted?
- **Distribution:** Through what channel and with what package will you best reach that audience?

The biggest challenge upfront is getting journalists to pull back from a production mindset and hone down a sea of ideas to those that:

1. Support your mission
2. Are flexible
3. Pass a basic feasibility test

Tom O'Malia, professor of clinical entrepreneurship at the USC Marshall School of Business, says of the journalists he meets at Knight Center entrepreneurial training, that they typically “have not yet recognized the difference between what they do (the product), and the value—the benefit—of what they do.”¹⁸

O'Malia favors a three-part framework for narrowing down a sea of ideas that is driven by more traditional product marketing:

- Who is the customer?
- What channel can you reach him or her on?
- What is the benefit to him or her?

¹⁸ State of Media <http://stateofthemedia.org/2011/mobile-survey/economics-of-community-news/>

Whatever your approach, there's no substitute for upfront thinking, and a good old reality check on how clearly you can articulate a mission and value to a customer.

Feasibility: Mitigating Risk and Optimizing Your Market Position

We recommend delving deeper into the hardest questions. Carrying forward O'Malia's three-part analysis above, there are two quick frameworks that can be helpful for assessing the feasibility of your idea.

The first is the well-known "Strengths, Weakness, Opportunities and Threat," or SWOT, analysis. Usually workshopped using a two-by-two grid similar to this and forcing the following questions for the project team:

Strengths	Weaknesses
What are the strengths of our idea?	What are the weaknesses in our project?
Opportunity	Threats
What are the opportunities of our idea?	What are the threats to our project?

Another lesser-known framework, called "Porter's Six Forces Structural Analysis of a Non-profit Industry," expands upon traditional competitive assessments by providing a more comprehensive perspective of all of the actors impacting a marketplace.

The framework addresses critical marketplace components including: competitors, funders, audience, suppliers/journalists, barriers to entry, and possible substitutes.

As a tool, the framework is very easy to use and can facilitate a level of specificity that can focus the best of plans.

Try talking through your product and its operations from the perspective of each of these categories, starting from top to bottom, then left to right.

Existing Organizations: Are there few or many in this space? Can you name each of them and begin to think about how your product will exist in the marketplace with them? Will you compete or collaborate?

Barriers to Entry: How hard is it to do what you are doing and what will stop others from entering the market and competing with you? What can you do to raise the barriers to entry and make your product more competitive?

Substitutes: Are there other products that are reasonable substitutes for your product? Is other media doing this work “well enough?” Could another media company invest in its investigative unit and quickly supplant your product?

Audience/Customers: Is your audience concentrated or fragmented? Will it be easy or hard to reach, and how will its concentration impact your product and marketing requirements?

Funders: For nonprofits this framework has regularly been adjusted to address the availability of funding. Are funding sources abundant or scarce for your effort? Have you analyzed your topic and community to understand what funding could be available and sought to expand the pool of possible funders?

Suppliers/Journalists: This input generally addresses your labor pool and whether it is exclusive or non-exclusive. For many investigative journalism shops this is where the market gets made. The number of journalists with the skills to do meaningful investigative work is limited; therefore a “lockup” on suppliers can create additional opportunities in the market.

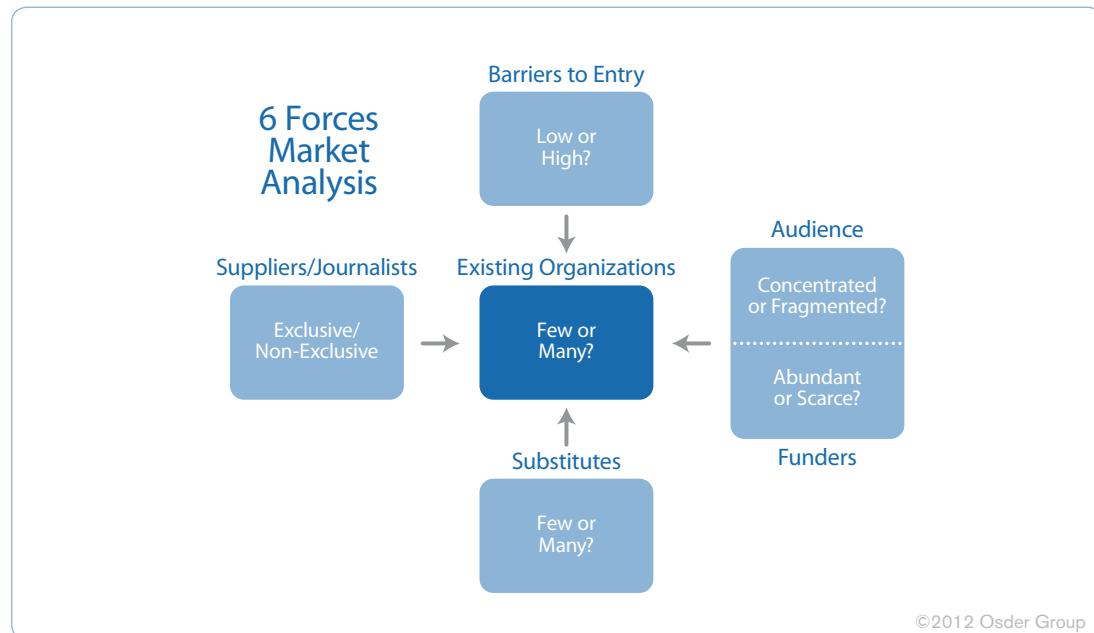


Figure 7 | 6 Forces Market Analysis

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What Kind of Organization Will You Build?

Nonprofit news organizations come in different shapes and sizes, and INN members are no exception. Based on a variety of factors including market need, staff expertise, founding mission, and age – among others – INN members produce different kinds of journalism products, and serve differing audiences using a variety of distribution channels.

Based on information gathered through our interviews, we grouped INN members into four primary “*archetypes*.” While each INN member is confronted with unique challenges and can leverage unique opportunities, we believe there is tremendous value in these groupings. INN members within the same archetype can look to analogous organizations for the following:

- Identifying which business models are a good fit.
- Understanding how to prioritize limited resources.
- Learning from the successes and failures of others’ experiments.
- Benchmarking pricing of products and services.
- Using success stories of similar organizations in fundraising.

Especially in the world of online nonprofit news, where revenue streams are uncertain and in flux, being able to look to similar organizations is incredibly useful. For the purpose of this report, the archetypes allow us to bring structure and simplicity to our analysis and recommendations.

Throughout this report, we’ve tried to make it easy for individual INN members to quickly identify the sections that apply most directly to them.

Grouping Framework

We grouped INN members based on patterns we found along the following attributes:

People: Who is working at these organizations? What are their jobs, levels of experience, and specializations?

Process: What kind of tasks are the organization focused on?

Product: What types of products and services are being produced, and how are they being packaged?

Distribution: Through which channels are the journalism products being distributed? What is the distribution strategy?

Performance: What are the key metrics of success?

While there are variations in tactics and levels of maturity between INN members in the same archetype, we found that members’ strategy for each of the attributes are similar within categories.

The Four INN Archetypes¹⁹

The Startup Shop* (e.g. Investigative Newssource, Maine Center for Investigative Reporting)

The startup shop is a relatively new organization providing accountability journalism for local/regional communities.

People: Small team; individuals playing multiple roles within the organization.

Process: Balance between production and packaging of content, distribution deal making, and trainers/educators.

Product: Unique, investigative, accountability journalism; published weekly to monthly.

Distribution: Story-by-story, or through annual distribution deals. Channels include local newspapers, TV stations, and radio.

Performance Metric: Amplification of story impact across the community served.

Topic Specialist (e.g. Open Secrets, Fair Warning, Health News Florida)

The topic specialist focuses on a particular beat. It can be national or regional in focus.

People: Small team; reporters with subject matter expertise.

Process: Daily aggregation of news along with original, deep reporting. Some deal making and marketing.

Product: Blog, regular email newsletter with aggregated and original content; original content on a weekly to monthly basis.

Distribution: Story-by-story, through email newsletter and website.

Performance Metric: Narrower impact metric from a set of very interested parties.

Community-Driven News** (e.g., MinnPost, St. Louis Beacon)

The community-driven news organization builds a local/regional audience, serving as both a reliable news source and civic engagement organization.

People: Teams of 10 or more; specialized roles, including dedicated audience-development staff.

Process: Focus on building traffic on site, through constant flow of journalism and audience development efforts

Product: Daily news production and aggregation of relevant local content.

Distribution: Primarily distribution on owned channels (website, social media, email); secondary distribution on complementary channels (radio, TV).

Performance Metric: Audience size and engagement level.

¹⁹ Please note that we are aware that these are simplified archetypes drawn from a rich array of some 60 INN members. They are meant to be guides, not definitive models.

* While we did not include Spot.us in our analysis, this innovative INN member can be considered a special case of a startup shop.

** It is possible that another category of community sites, including organizations such as Oakland Local and SF Public Press, emerge as another archetype category, depending on their trajectories and business strategies going forward.

\$1 million+ (e.g., CIR, ProPublica)

\$1 million+ organizations have sophisticated newsrooms that receive significant support from foundations and donors. They often serve a national audience.

People: Teams of 15 or more; specialized roles including dedicated business staff and producers.

Process: Multiple projects at once with daily site updates. Management of distributors and staff support.

Product: Large breadth of original investigative reporting; sophisticated packaging including multimedia/data features.

Distribution: Major regional and national news organizations with large audiences.

Performance Metric: Wide amplification of stories at a national level.

How Will You Fund Your Organization?

In the pages that follow we will be exploring earned revenue more closely from both an audience-development and distribution perspective. Each of the archetypes above will have its own optimal approach to a revenue mix, and within each archetype there will have to be a great deal of customization and fine tuning of the more general model to address the unique nature of each enterprise.

But before we begin, we wanted to quash some common myths we saw in our research. The two most common were:

- Nonprofit news leaders mistakenly assumed that foundations would stick with them for the long haul.
- They also incorrectly thought business models for commercially viable media could apply 1:1 in nonprofit public interest media.

Clay Shirky made the solid point that "...the viability of commercial media has been for too long confused with accountability journalism. The two travelled together in such a consistent bundle that people forgot they were separate. The Chinese wall was so effective that people on the news side didn't realize what business they were in. But now they are separate and you have to solve the problems of each [commercial viability and accountability journalism] in different ways," (interview, September 8, 2011).

Solving the problem of sustainability for accountability journalism requires trial and error, and borrowing lessons from other nonprofit industries. Andy Hall, Executive Director of the Wisconsin Center for Investigative Journalism, feels that his group has struck a nice balance between audience development and distribution models: "We've developed a lean and efficient system for our own site development and distribution," (interview, September 14, 2011). Hall's organization distributes content for free, but it is also increasing revenue by producing commissioned reports and serving as a production house for other journalism organizations. Hall is careful to ensure that these projects mesh with his organization's mission, "to improve the quality and increase the amount of investigative journalism in Wisconsin."

Although Hall's organization is succeeding in growing earned income, he is clear about the ongoing need for support: "Funders need to see this landscape for what it is, not as hope but rather as fact. Many organizations will find ways to sustain, but philanthropy will continue to be a crucial part for the reasonable future."

The data we gathered demonstrated that INN members are finding other, more reliable ways to generate earned revenue. Across the models we explored, we saw programs ranging from content syndication to membership programs. We've catalogued many of them in this report and hope that they offer a menu of options from which members can select.

There's a Grant for That!

The appropriate role of foundation support in the lifecycle of nonprofit news sites is not yet clear. In the course of our research, we interviewed half a dozen foundations deeply committed to the sustainability of watchdog journalism that are doing extraordinary work to address sustainability.

While they all share a commitment to journalism, they are idiosyncratic to their charters and criteria for funding, measures of success and priority initiatives.

Foundations focused on local and community issues seem to see many of the news organizations they support like small businesses. They feel that earned revenue and local and community support would offset the need for national foundation funding on a faster timetable than those foundations funding specific investigative journalism projects. The latter believe these nonprofits are special cases, that although it is nice that they can bring in some revenues, they in no way could fully support their important work by earned income.

While it goes beyond the scope of this work to inventory the array of organizations and their particularities, there are a few points that INN members should keep in mind:

Know What We Fund and What We Don't Fund: We asked each foundation what they would like grantees to know before they apply. The answer was somewhat obvious but unanimously clear and important to reiterate. "We would love them to know what we fund and what we don't fund. Many people come to us with hope and passion, but for us it's a matter of matching our published grant guidelines with the organization's proposal," said Elspeth Revere, Vice President of Media, Culture, and Special Initiatives of the John D. & Catherine T. MacArthur Foundation.

Operate Like a Business: Everyone we talked to agreed that these organizations need to operate like businesses, and learn from best practices and share innovations. Janet Coats from the Patterson Foundation, funders of the very successful Block by Block conference, said it best, "People are in love with a model of journalism, but they have to figure out if the model is sustainable. You need to balance your content creations with your financial reality and realize you are running a small business and learn how to do that." For most INN members this could mean using precious staffing dollars for seasoned nonprofit management professionals.

Diversify Funding Sources: Funding is competitive, and will only get more competitive as need increases. Several foundations reported rising applicant pools, leading to smaller and smaller percentages of successful grantees. "Most of our investments in nonprofit news organizations are viewed as start-up funding," said McCormick Foundation Journalism Program Director Clark Bell. "Going forward, these grantees are expected to look for additional support from other foundations, donors and subscribers. They need to demonstrate some traction in each of these areas to gain continued support from McCormick," (interview, October 27, 2011).

Get Local and Build Community: National foundations have played a significant role in raising awareness of various journalism initiatives, and in providing seed funding, training and support for some of the most successful INN members. However many of these newsrooms are local or topic based and need to find long-term funding from the communities they serve. The Knight Foundation's Eric Newton, a pioneer and champion of nonprofit funding for journalism reminds us that strong local ties are critical to the success of the movement, "The primary relationship is between a news organization and the community it serves. If there is no relation between the organization and the community, no amount of money will sustain them and there will be no impact," (interview, October 26, 2011).

Collaborate and Perhaps Consolidate: Patterson foundation advisor Rusty Coats cautioned about the overall trend in funding: "The funding model is changing and will shift more dramatically over the next decade to the local and state level. More nonprofits will have to do what business have done – merge or collaborate. But it will be difficult to survive on their own," (interview, November 7, 2011).

Five-year Revenue Diversification Simulations

To give the new organization some broad diversification goals, we have modeled revenue diversification for each of the four archetypes over a five-year period. These are not models of specific INN members, but rather extrapolations based on our interviews and research. The revenue estimates are our own determination of what is possible and the percentage are a guide. Neither should be taken as set in stone.

To generalize the models, each graph begins with 100% foundation support and shows how alternative revenue streams could expand as a percentage of operating expenses over the course of five years. The common revenue streams used in each simulation include:

- **Distribution deals** – Including freelance, syndication, and packaged deals.
- **Donations** – Small and large donations outside of specific membership programs.
- **Paid membership programs** – Tiered memberships with special features for paying members.
- **Education programs** – Planned programs for students, either related to journalism, or specific content verticals.
- **Advertising/underwriting** – Corporate underwriting of a website, specific website sections, or events. (Note: advertising may not be consistent with 501(c)3 rules. Consult a tax attorney before proceeding.)

Effectively prioritizing which revenue sources to pursue, based on which archetype your organization fits, is one of the key elements of good leadership.

Start-Up Shop

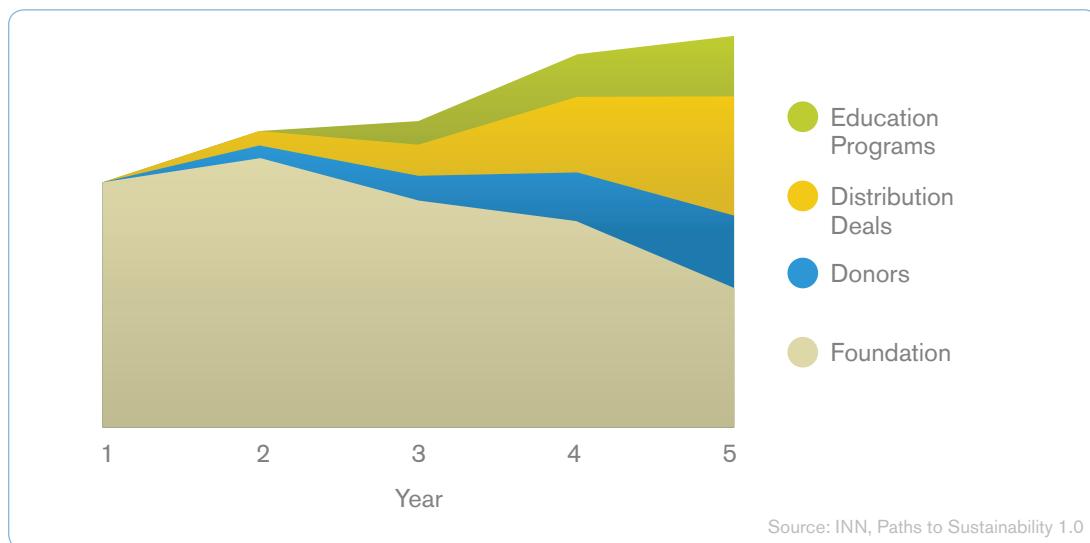


Figure 8 | Revenue Diversification Simulation: Start-Up Shop

INN “Start-up Shops” consist of small teams producing journalism that primarily reaches their audiences through *other* publishers. As these teams build more sophisticated distribution packages and develop long-term relationships with publishers, distribution deals can become significant sources of non-foundation revenue. In most cases, these deals cannot cover operating costs alone, but when combined with donations and other programs (such as education programs), we estimate that foundation reliance can be reduced to less than half of the entire budget.

Topic Specialist

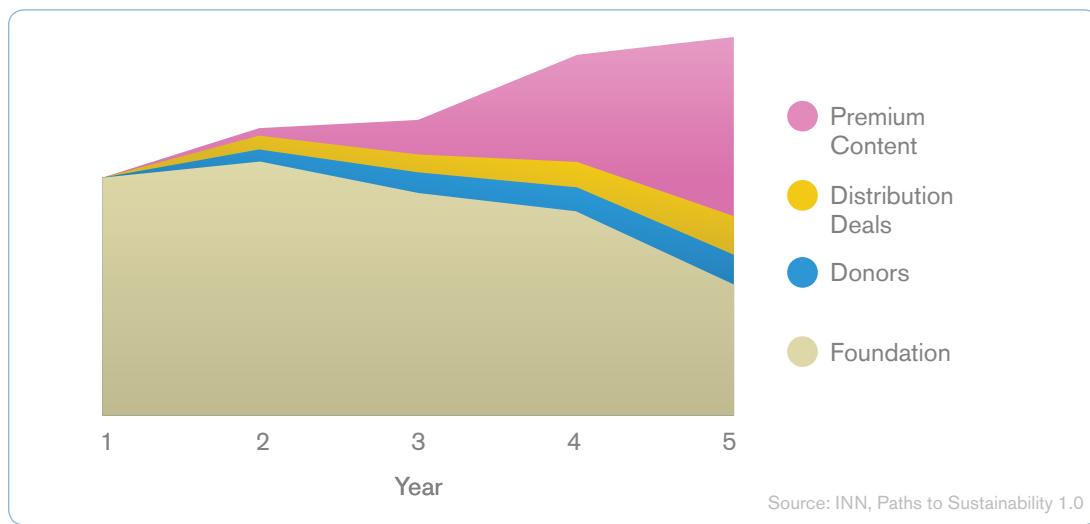


Figure 9 | Revenue Diversification Simulation: Topic Specialist

Topic Specialists function much like Start-up Shops. However, in some cases they may be able to leverage their focused specialization to build revenue streams from a small subset of customers who are willing to pay a premium for subject-specific information. The graph above models a topic specialist who, five years into the operation, is able to generate nearly 50% of the

organization's operating budget. For an organization with a \$300,000 annual budget, this could be achieved by finding 2,500 premium users willing to pay \$60 a year for privileged access to important, subject-specific news and information.

\$1 Million Plus

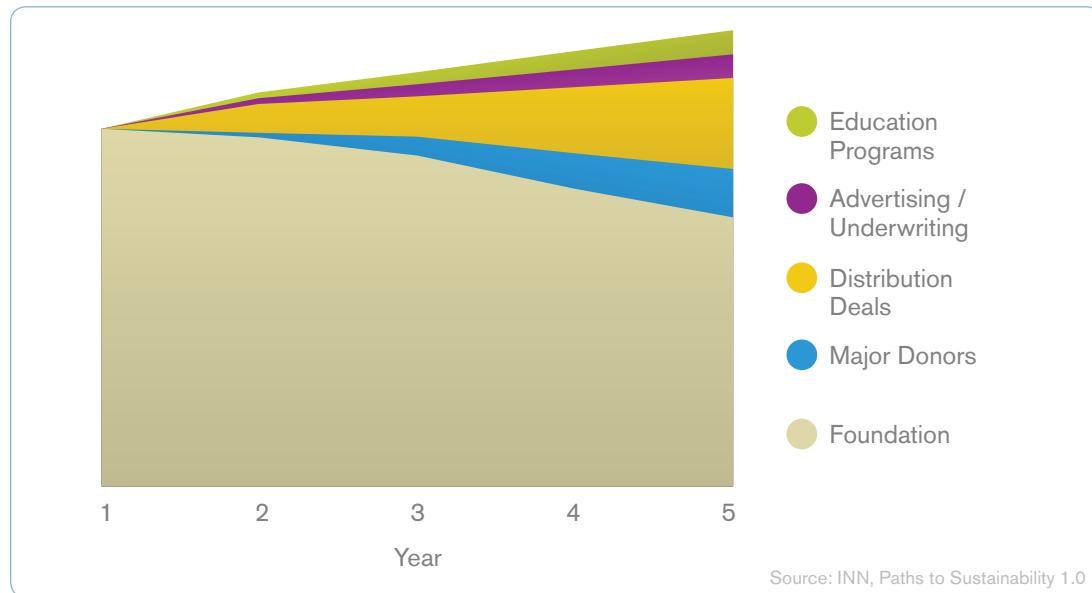


Figure 10 | Revenue Diversification Simulation: \$1 Million Plus

Some of the larger nonprofit investigative news organizations find themselves with different economics than their smaller counterparts. These organizations are able to use their scale and brand to attract foundation funding, but will also find it particularly hard to shift proportionately significant shares of their revenue away from these same foundations. They need to focus on bringing increasing value to their distribution deals, as well as cultivating wealthy donors for support. Still, as the graph highlights, in a five-year timespan they may be able to reduce foundation dependence by 40%.

Community-Driven News

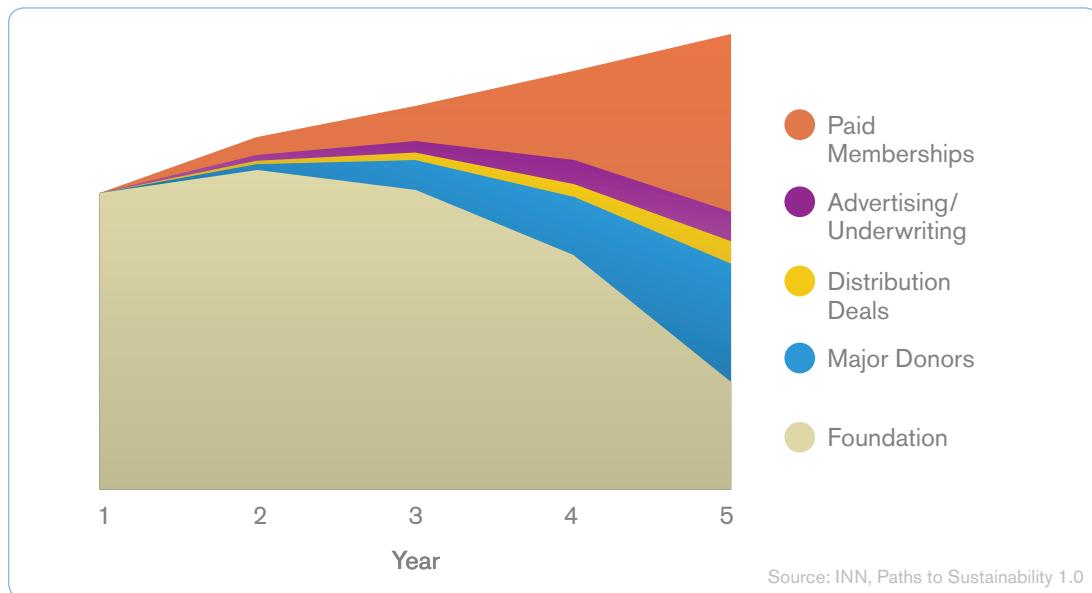


Figure 11 | Revenue Diversification Simulation: Community-Driven News

Community-driven News organizations are uniquely situated to seek contributions from consumers, in the form of large donations from wealthy donors and smaller donations from a broad community base. Because these organizations are focused on direct consumer engagement, they may have the capacity to scale membership and donations programs in a way the other organizations do not. In the graph, we show that foundation funding can fall to less than a third of overall operating expenses in five years. Paid memberships and donations would be the key drivers of diversification in this case.

In each model, we predict that some level of foundation funding remains an important source of revenue for these organizations in their first few years.

Community Drives News: Recent Findings From Knight

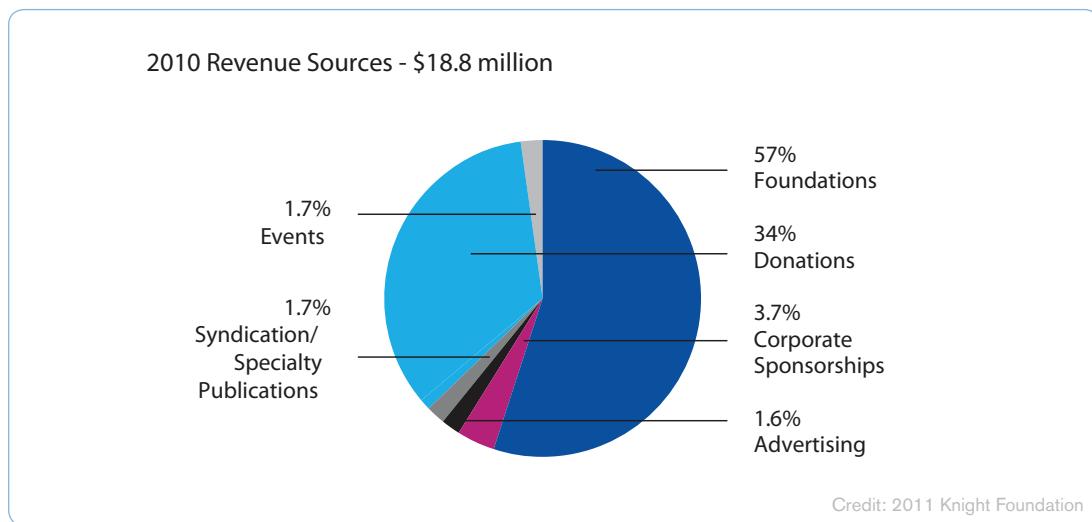


Figure 12 | 2010 Revenue Diversification in Nonprofit News

A recent Knight Foundation report, "Getting Local: How Nonprofit News Ventures Seek Sustainability," provided excellent insight into how some of the most successful local news non profits, including The Bay Citizen, MinnPost and St. Louis Beacon, are working their numbers. The report provided invaluable breakdowns of their revenue and resource allocation for 2010 and is a must-read for anyone in community-driven news.

Consistent with our observations, the report summarizes several sites' performance: "As a group, the sites are heavily reliant on philanthropic or contributed sources, such as foundation grants and donations and gifts from individuals, for their revenue. In 2010, the seven sites obtained more than 90% of their revenue from contributed sources. Nearly \$10.8 million, or 57% of their revenue, came from foundations and another \$6.44 million, or 34%, from donations by individuals. Only 8.7% of their revenue came from earned-income sources, such as corporate advertising, sponsorships, content sales and events.²⁰

Be Flexible, Iterative and Prudent with Precious Resources

Building an organization while simultaneously doing investigative journalism is complex and brings unfamiliar challenges to many of today's journalism entrepreneurs. As MinnPost's Joel Kramer told us, "We have always been a professional journalism site and it has always been part of our mission to support professional journalism and pay for it. But how we do so has changed substantially since we launched;" (interview, June 28, 2011). For instance, at first they had a heavier editorial slant to the team, but learned that they had to add staff to help on the business side: a membership director, technology staff, a part-time CFO and an office manager.

²⁰ Patel, Mayur and McLellan, Michele. "Getting Local: How Local Non-profits News Ventures Seek Sustainability." The Knight Foundations (October 11, 2011), pp 16-21.

When the author of this report, Elizabeth Osder, worked to help launch ProPublica in 2008, the leadership team had a very clear mission around the journalism it was setting out to do and the impact that it wanted to have. That helped uncover the best, most cost-efficient combination of distribution tactics to deliver their journalism to the right audience at launch and to be nimble enough to evolve to wherever the model would take them.

But the ProPublica team was anticipating spending far more money than needed to get the site up and running. Coming from newspapers, the idea that you could change the site easily later on wasn't a natural.

Knowing that needs would change as the team learned from the market, they instead built a very lightweight, cost-effective website that served both as a marketing vehicle and repository for ongoing investigations, and included a blog. They quickly prioritized promoting and building an email list. They began laying out a roadmap and resource plan to help run the site operations, produce and package content for distribution partners, and have the appetite and bandwidth to explore new technologies that could further their journalism rather than just add features to their website.

From the start, they built and budgeted resources to review, tweak, and tune this platform on a quarterly basis. After a year, there was enough information to move forward with a site redesign built around the ongoing coverage of investigations (which was impractical to plan for at launch, before ProPublica had published much of its signature work). It took almost that long to understand necessary roles and responsibilities, and grow a production team to work side by side with reporters to build and customize packages for their media partners, which today exceed 80.

ProPublica was well-funded from launch, and, as we have heard, a solid runway of funding for one or two years can make all the difference to the long-term sustainability of a nonprofit newsroom.

Three years later, ProPublica has won two Pulitzers for its journalism and continued to be nimble in its operations.

ProPublica has deliberately straddled both a direct audience development strategy and a partnership strategy. Playing in both spaces can be complex and costly, so for today its focus remains primarily on partnerships; however, it continues to be aggressive about building direct audience (50,000-plus mailing list, 52,000-plus Twitter followers) and planning for the day when perhaps fewer partner outlets are available.

Whatever approach you use – and there are many – what's important is that you spend time aligning your mission with the right product and operating tactics to deliver the impact that got you in this business in the first place.

If you are planning a new organization, perhaps the best guide for getting off the ground is a piece on The Knight News Network site by Brant Houston and Andy Hall called "Launching a Nonprofit News Site," there you will find focused how-tos around starting, running and building an organization.²¹

²¹ Launching nonprofit news sites http://www.kcnn.org/launching_nonprofit_news_site/introduction/

IV. Finding and Engaging Your Audience²²

INN Members generally pursue either the creation of a destination Internet site, where they are building a brand and a direct relationship with a reader, or they work to aggressively syndicate their content to others who already have the right audiences for their desired impact.

Perhaps the most critical issues facing investigative journalism start-ups is how to reach and engage the right audience. In other disciplines the higher the stakes, the more disciplined and rigorous the process. If we take a lesson from the hit TV series *Mad Men*, you can increase the likelihood of your desired impact by delivering the right message, at the right time, through the right channel.

Think for a minute about what you would do and where you would go if you could “buy the attention” of the audience you needed. We see it all the time, and merely imagining it (though it might be sacrilege) is an excellent way to get the creative juices going.

Think about the targeting of campaign ads the night before an election, the appeal from the Red Cross after a disaster, the late night infomercial that cost-effectively preys on insomniacs looking to lose a few pounds or invest in the next get-rich-quick scheme. The fact is that you wouldn’t see these things if they didn’t work; marketers are metrics driven and are pretty hardheaded about engagement and an action’s return on investment.

Over a decade ago, in an era before blogs, author Elizabeth Osder was on the board of Tom-Paine.com, an independent, nonprofit journal of opinion that used the majority of its funds to purchase ad space to ensure that its messages reached the right audience. Coined “Op-Ads,” this initiative purchased space on the opinion pages of major newspapers, swapping the op-ed page every other week with opinions from the likes of Exxon and Mobile.

Before our time, Tom Paine the pamphleteer was a successful provocateur that helped create a wider debate about independence by boiling down complex ideas into language more easily accessible to the masses.

Regardless of your audience engagement approach, your choice about the product or organizations you build will in many ways define your funding strategy. For example:

- You can sell your content per piece to another media organization, or establish a regular wire service deal and annual subscription rate.

²² For the purposes of our report we used what some have called an “old framing” around the phrase “audience development.” Given the variety of organizations represented in the INN membership we felt that it was appropriate to frame the relationship between audience and depth of engagement. But we did find the distinction and cogent definition between audience and community relevant to the membership and perhaps best summarized by Knight’s Eric Newton, “A community is a group of people that can consume information but can also act on it. I can consume information about Islamabad but I am not part of that community, I can’t act on it. An audience is involved in passively receiving information (go to a movie and be in the audience) and in a one way, 19th century production model is valued only for consuming that content, not how they could act on it.” (interview, October 26, 2011).

- A skilled multimedia team can sell training or production services; a team of data journalists can create and sell specialized data sets.
- An organization in a wealthy or engaged community can establish a premium membership level and encourage large contributions from high net worth individuals.
- A site with enough traffic might develop a viable revenue stream from advertising.
- A special interest publication can develop a subscription model or a high-value subscriber list.
- Special reports can be published as books or Kindle Singles, or folded into other products.

As an exercise in understanding the INN landscape, we mapped several members on this grid that shows:

- Level of audience engagement (vertical axis) shows the degree to which the organization directly communicates with and monetizes its audience.
- Years since launch (ball size) shows the number of years since the launch of the organization.
- Breadth of distribution (horizontal axis) shows the size of the audience reached by the organization.
- Distribution Strategy (columns) From left to right:
 - Destination Website or Print.
 - Occasional Regional or Local Distribution.
 - Significant Regional or Local Distribution.
 - Consistent National Distribution.

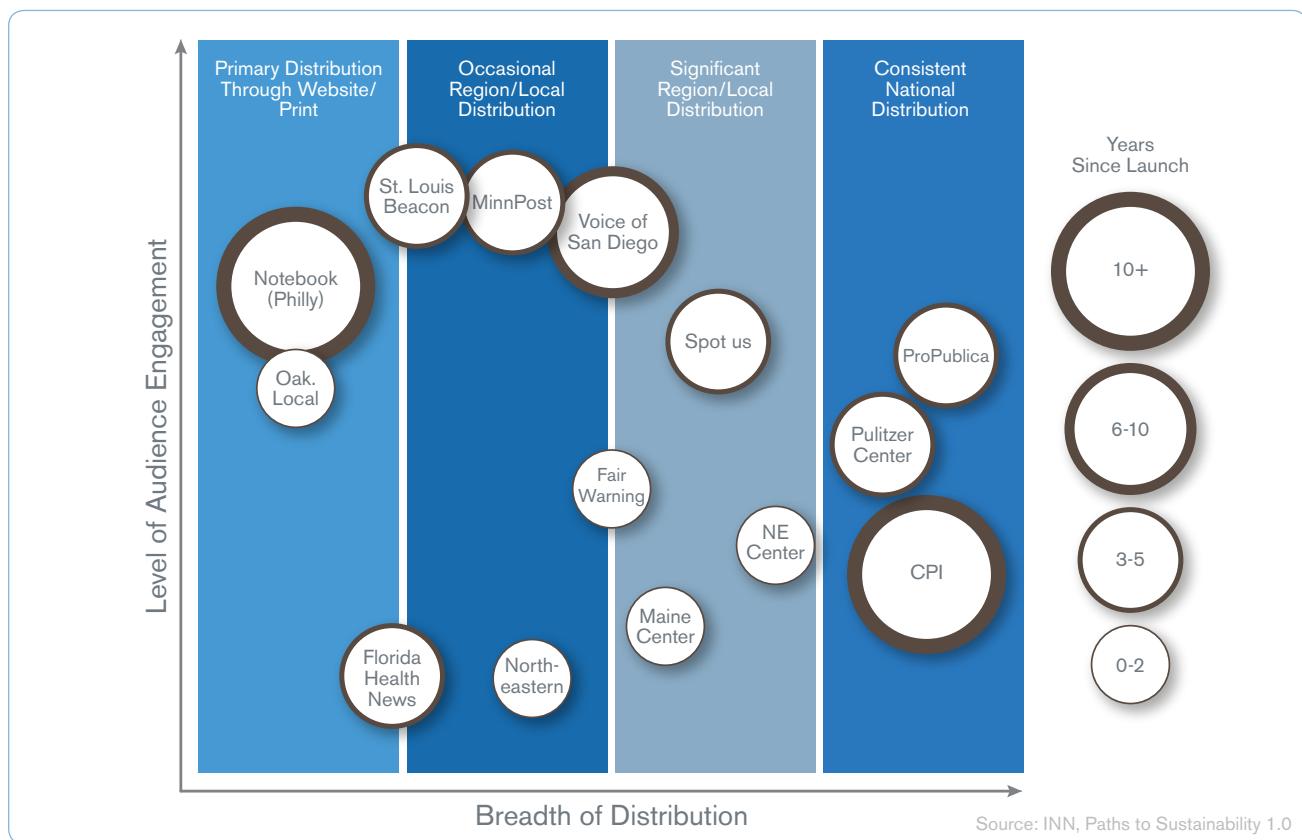


Figure 13 | Nonprofit News Landscape by Age, Distribution, and Engagement Strategies

The exercise confirmed our hypothesis that there is no right or wrong model; there are success stories in almost every quadrant and age range. It's still a bit like the Wild West: organizations that have yet to pass the five-year mark face some of the same funding challenges as grand-daddy operations like CIR and the Notebook.

A. Direct Audience Strategies: Understanding, Building and Monetizing

It's easy for journalists to take for granted the reach and influence that their former employers offered. When you unbundle content from mass distribution channels, you are left in the difficult position of making sure that audience will come to what you build.

As Sarah Szalavitz of 7 Robot put it: "For one, building an audience takes time and energy... Be prepared to spend as much, if not more [time], on building your audience as you do on producing your content. The adage, 'build it and they will come' no longer holds true in a world of infinite choice and distraction."²³

We classified those that distribute their journalism through their own channels – via the web, print, or email – as "direct audiences organizations." These organizations choose to create direct relationships with individuals and their community. They are confronted with the challenges of audience engagement activities to identify, grow, and extract value from their audiences.

INN members who are building audience-centric models need to think through their audiences at the start and understand the basics of:

- Who is the audience?
- How will we reach this audience?
- What value can we derive from this audience and vice versa?

Thanks in part to the good work of organizations like the Knight Digital Media Center and J-Lab, we found that INN members have developed a realistic sense of the challenges to building and monetizing an audience directly. You can't simply build a website and then expect advertising or underwriting to pay your bills out of the gate. For an excellent review of the pressure to deliver on site engagement and translate that into dollars, we recommend chapter 9 of a recent report from the Tow Center at Columbia Journalism School entitled "The Story So Far."²⁴

INN members who have built a significant audience from scratch understand that doing so can take as much or even more resources than the actual production of journalism. It involves constant experimentation and evaluation of engagement efforts and monetization programs. Most importantly, building an audience involves a committed effort to understand who your audience is. Luckily, easy-to-use web analytics programs make your traffic and audiences accessible, and if used effectively can inform your strategies for addressing audience needs and growing their numbers.

²³ Beardsell, Christine. "Strategies for Building an Audience" (interview with Sarah Szalavitz of 7 Robot) <http://www.clickz.com/clickz/column/1704800/strategies-building-audience> – 16 December 2008

²⁴ Grueskin, Bill; Seave, Ava; Graves, Lucas. Columbia University Graduate School of Journalism. "The Story so Far: What we know about the business of digital journalism." 2011 http://www.cjr.org/the_business_of_digital_journalism/ – p. 119-125.

In this section, we broadly map an approach to building an audience, monetizing that audience, and using metrics to track your progress and inform future strategies.

The Basics of Audience Development

The first thing that becomes a reality to organizations trying to build and manage an audience is that different audience segments create differing value for an organization. The questions INN members must ask are not only which audience they want, but also which one they need.

In our experience, the most commonly misunderstood issue for new entities publishing to the web are the challenges of finding an audience, developing a relationship with it and earning some loyalty or repeat usage of your new brand.

The most common mistake we see is a dependency on “empty calorie” traffic delivering a large number of visitors from occasional portal links that don’t deliver regular repeat users and have a high bounce rate—meaning people visit a single page, then leave the site. Editors chase traffic and links to their sites with stories that capture the fleeting attention of editors at other sites but may be “off mission.” We call these stories “portal porn” and have seen a number of promising niche brands sacrifice small loyal and valuable audiences for the temporary excitement over big traffic days.

Getting beyond a mass point of view is not easy, but for young organizations, it’s quickly becoming a necessity. MinnPost’s Joel Kramer explained, “early on we had to shift from the eyeballs-are-eyeballs sensibility and accept that both from a commercial truth as well as a journalistic one: Not all readers are created equal.” We are again talking about targeting the “right message, to the right audience, on the right channel.” To accomplish this, organizations must think about their audiences in a segmented way and ask what “value” they will offer each segment, and what return they can expect from each.

Beyond the general audience question, some important questions that must continuously be asked are:

- How do you segment your audience/community?
- What is the strategic value of each segment?
- How will you prioritize growing each segment?
- What programs and/or content do you offer each segment?

To be clear, this is not a case for abandoning an underserved audience to pursue donations from a wealthy and elite class. It means thinking about your audience strategy in advance, and being realistic about how to position each segment to deliver on your various objectives from meeting funder goals, to developing alternative revenue streams.

These challenges are not dissimilar to the challenges that other nonprofits have faced for years. Church groups, professional organizations, and public media all provide terrific case studies; we can borrow from them experiences and best practices of balancing foundation support, corporate underwriting programs, membership, and individual donation drives.

Margaret Freivogel, editor of the St. Louis Beacon, makes the case for a more nuanced audience segmentation strategy. Like the voiceofsandiego.org, MinnPost and other community-driven organizations, the Beacon experiments with a variety of community engagement activities, including many in-person events.

Tracing users on the site and attendees at its events, the Beacon's engagement team was surprised by some of the behavior and interest of its audience. For example, the Beacon's donors, are not all heavy site users. Likewise, while the team expected donors to take part in community events, many turned out to have little appetite for that type of engagement.

The INN membership represents a broad brush of creativity. We don't have time in this report to capture every example and tactic, but here are some examples of how INN members are finding and engaging their audiences.

- A monthly topic-specific print newspaper.
- A highly targeted email list.
- A weekly segment with a local broadcaster.
- An exclusive deal with a national newspaper.
- A localized version of a regional report.
- A complex multi-party collaboration that includes publishing the complete story on your own site.

If done well and given enough time to grow, these organizations can have significant local impact, incubating entirely new forms of journalism, community conversation and connectedness.

Understanding Market Opportunities and Challenges

We've seen examples of each archetype getting traction with audiences and in some cases moving aggressively on a path toward real sustainability.

Opportunities and challenges by archetype include:

Startup shops

- **Opportunities:** Have developed audiences of small, but engaged supporters attracted to the quality of their journalism and ties to local communities. In some cases, such as the New England Center for Investigative Reporting, this support is translating into meaningful donation dollars.
- **Challenges:** Building and monetizing a destination site from scratch without daily news updates, local or related promotion and outreach to specific early adopter audiences are a huge challenge. Particularly humbling are the relatively small numbers of users and repeat users to these fledgling sites compared to the effort and hours that it took to create and publish the content.

Topic specialists

- **Opportunities:** Can gather interested audiences that can be monetized through freemium

models. Many of these are focused on developing high-value newsletters as a way of growing a valuable list, rather than destination websites. Examples of this abound in the tech news and business-to-business news space (e.g., Gigaom). But one example of a successful topic specialist monetizing community that should be very familiar to INN members is Consumer Reports.

- **Challenges:** Cater to narrow, often-smaller audiences that because of their niche interests, may be difficult to find and reach on a regular basis. The flip side is that with dedicated outreach efforts, organizations can identify and target these users on a regular basis.

Community-driven

- **Opportunities:** Oakland Local and the St. Louis Beacon are examples of organizations successfully serving as civic engagement engines for local/regional communities, offering a variety of programs built around high-quality journalism.
- **Challenges:** These audiences do not necessarily equate to the donors that can underwrite ongoing operations.

Large shops

- **Opportunities:** Name brands like CPI, ProPublica and CIR are successful in partnering with numerous and well-known media organizations to maximize their desired “return on audience” investment. Although some of these are less focused on traffic to their sites, partnerships build their brands and in turn improve the overall health of their organizations.
- **Challenges:** Many of these sites today fall more into the distribution models, since they tend to do large topical investigations. Without a natural geographic orientation or regular focused topic, it can be difficult to build a community of loyal users that can help sustain the organization. CIR’s California Watch is a good example of how a large investigative organization has taken on a geographic focus to try to build more lasting ties across the state.

We also noted that local direct sites are beginning to morph their missions to include more explicit community focus that go beyond traditional definitions of journalism. These emerging players resemble grass roots organizations emerging from within communities, with a deep sense of collaboration and social media at their core.

Of INN’s members, Oakland Local gets closest to this emerging category, which is tracked and supported by the Knight Community News Network. The in-community programs we have seen include local events sponsored by these organizations, regular breakfasts, walking tours, topic-specific seminars, journalist conversations, and conference calls – all which help drive sign-up lists, and the ability to connect on a regular basis via email, messaging, social media or face to face on a regular, programmatic basis.²⁵

We are certain more innovations and models will emerge from this exciting area.

²⁵ Knight Community News Network <http://www.kcnn.org/site/>

Mapping Audience Segments to Sustainability

It's helpful to think about audience segmentation in very specific ways and be realistic about what you as a publisher hope each segment can deliver to the long-term viability of your organization.

"We start with visitors, and interact with our audience to move them up an engagement ladder of involvement," said voiceofsandiego.org's former Community Engagement Manager Grant Barrett (interview, June 30, 2011).

Barrett's engagement ladder is much like marketing funnels – the long established tools for illustrating how a product or service builds a relationship with a customer, and deepens engagement with a brand over time. By matter of example, we constructed a sample funnel based on some of the more common organizational attributes we heard from INN members.

We suggest that all members attempt to explicitly map the programs they offer to various audience segments. It's a realistic exercise in planning the sustainability of your organization. Thinking through explicit programs and value drivers can help members prioritize activities.

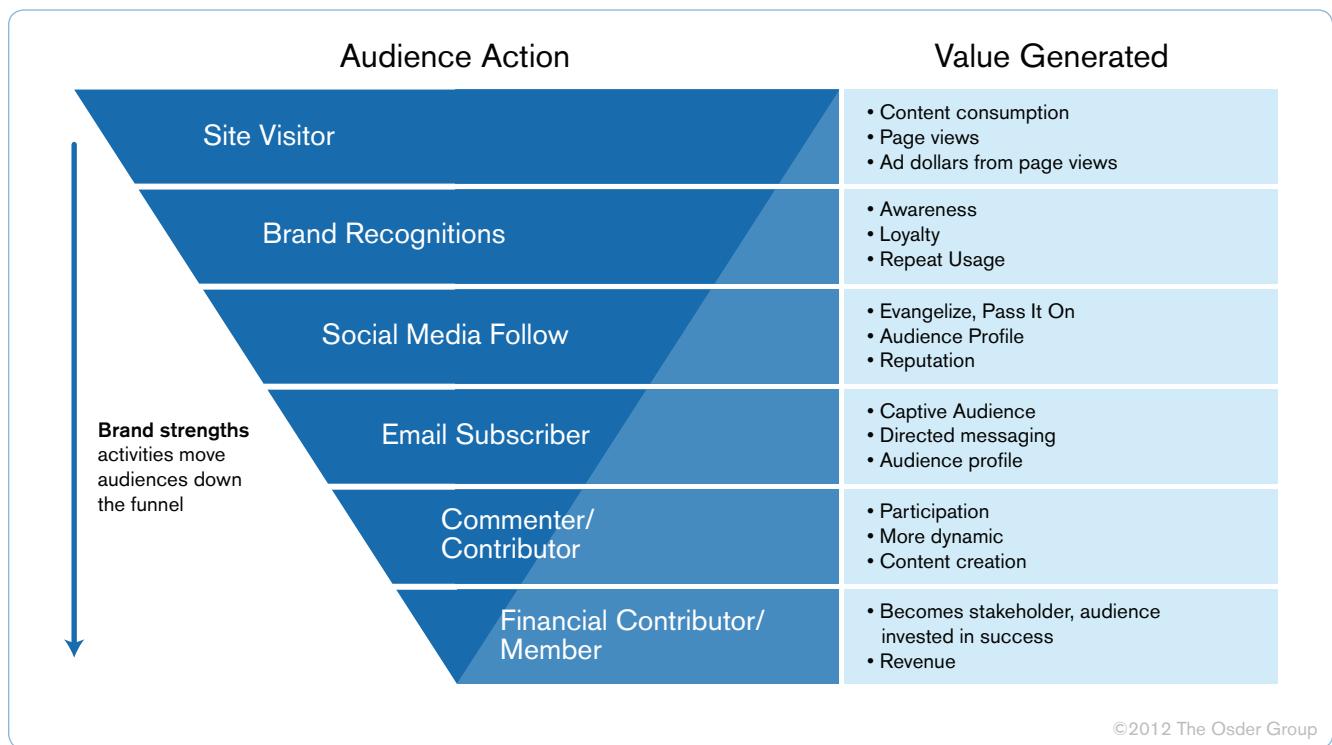


Figure 14 | Audience Engagement Funnel

In the illustration, the left side shows a "funnel" of audience actions, starting with a site visitor and progressing to membership/financial contributor. As your audience progresses down the funnel, the numbers are smaller, but the value the segments create becomes larger. This journey from site visitor to an audience that is increasingly invested in your mission in real terms demonstrates a greater degree of brand loyalty.

The value side of the diagram shows the same effect. As we move down the funnel, we see the number of users that may participate, sign-up, or contribute grows smaller, but their value to the long-term sustainability of the organization increases. This culminates in that user making an explicit commitment to the organization in a variety of ways, including donation and membership and direct, measurable support (not necessarily financial) to the sustainability of the organization.

Earned Revenue: Getting Beyond Ad Dollars

While INN members have been successful in finding startup capital from foundations and other high net-worth individuals, their paths to sustainability often rest on the promise of earned revenue. For those choosing to focus on developing a direct relationship with an audience, it is important to gain an understanding of the revenue-driving potential of those audiences.

Because nonprofit news organizations are new to market and are mission-driven, they are smaller than many of their in-market competitors. It's hard to see when many of these organizations will reach significant enough scale (audience size, circulation, reach) that advertising revenue can become a solid and predictable part of the revenue mix. Many entrepreneurial journalists think of advertising first. But this well-known revenue driver is the most unlikely for INN members.

Sites derive revenue from a variety of products, and it's up to each organization to understand which options best align with their mission and tax status. To help INN members get a better understanding of how various programs relate to revenue potential, we developed the graphic below to illustrate the scale of some common revenue streams.

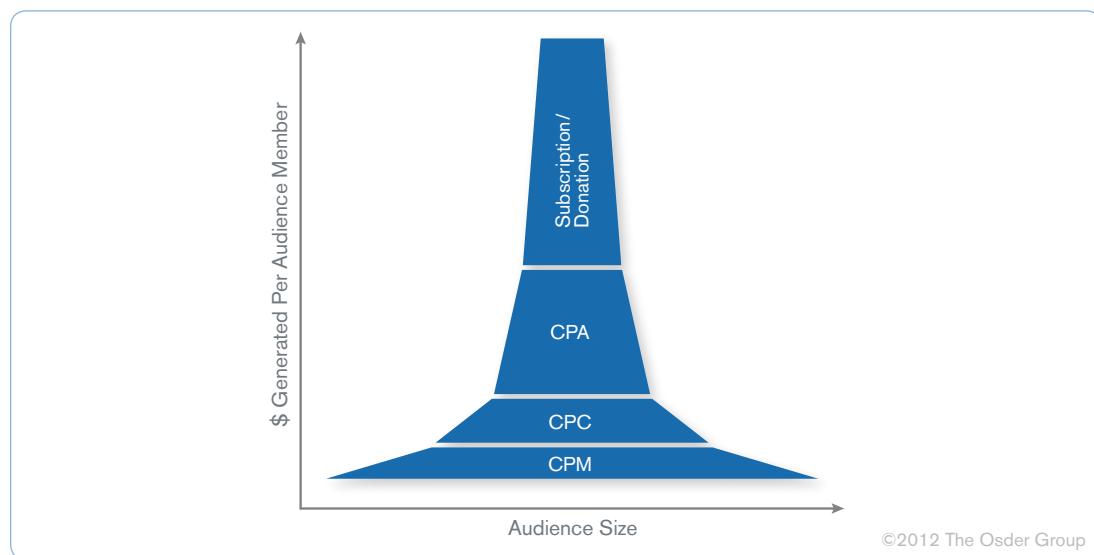


Figure 15 | Revenue Streams by Audience Size

In this illustration, the vertical axis represents the possible dollars that can be driven from an audience member. The horizontal axis reflects the audience size required to drive the revenue type.

- **CPM:** Advertising bought on the basis of (1,000) impressions.
- **CPC:** Advertising bought on the value of a click on the advertisement.
- **CPA:** Advertising bought on the value of an action taken by the advertising consumer (e.g., completing an online form).
- **Subscription/Donation/Underwriting:** Money transferred for general organizational support and/or access to unique content or privileges.

What the illustration shows is that you need a very large audience in CPM advertising (horizontal) to deliver a very limited amount of revenue (vertical). Conversely, at the top of the pyramid, there is great promise in a fewer number of users (horizontal) generating a great deal of revenue (vertical axis) through subscription, donation, or underwriting programs. Thus, different revenue driving programs depend on the scale of the audience for each, and smaller, more targeted audiences may in fact have greater revenue potential. To revisit Joel Kramer's earlier quote: "We had to shift from the eyeballs-are-eyeballs sensibility and accept that both from a commercial truth as well as a journalistic one: Not all readers are created equal."

INN member organizations have to consider which of these models best supports their editorial and audience goals, and develop programs to exploit the earned revenue potential of each activity keeping that overall mission in mind.

Other Sources of Revenue

In addition to earned revenue, INN members have been successful in pursuing other forms of income. While it's not within the scope of this report to explore areas of philanthropy and membership development in any depth, we did see several themes emerging. Systems of donation, underwriting and levels of membership were more common in organizations that rely on larger, more geographically or topic-interested audiences than in organizations primarily relying on distribution strategies.

Other common areas of revenue were found to be:

Philanthropic Funding: Gifts or grants from foundations or philanthropists.

Underwriting: Corporate sponsorship of products (e.g., news content, events, email newsletters).

Donor Programs: Levels of support tied to various dollar minimums and defined member rewards or benefits. For example:

- **Small Donors:** Tax-exempt donations in the \$1 - \$999 range. Often in the form of annual memberships.
- **Large Donors:** Tax-exempt donations in the \$1,000+ range.
- **Major Donors:** Large donations from high net worth individuals or corporations.

How to Measure Your On-Site Audience

Finding the right measures and codifying how to apply them to best drive the success of your organization is the subject of ongoing debate and a great deal of learning. While those new to the subject tend to focus on atomized bits of information (page views, monthly uniques) without meaningful context, others are trying to get more specific and formulate engagement and loyalty measures that may better reflect the overall impact of the brands they create.

INN members are learning quickly that audience quality may have more impact than the raw numbers in proving both their journalism mission and fortifying their business operations. Margie Freivogel said the St. Louis Beacon staff has come to understand that "...certain numbers are easy to get, but they don't often measure the things we would like to know. Our concern is quality engagement with an audience, not just sheer numbers. Sheer numbers can take us in directions we don't want to go in."

First there is no substitute for a good story; time after time we have seen that an exclusive, timely story that is well marketed can capture a large amount of traffic and begin to make readers aware of your site, brand and mission. As we have watched traffic numbers grow month over month at sites, we have seen that the traffic gains delivered for a big story generally raise the aggregate traffic levels for a site.

We often find people talking about outdated terms like “hits” and tossing around audience numbers without good context. In our research, we observed varying degrees of literacy about key metrics. Ultimately, valuable insights derived from this data require an appetite to deep dive into real performance numbers, set goals, test tactics and formalize successful and proven approaches to audience growth.²⁶

Simply put, key questions all INN members should be able to answer about their web offerings are:

What Are My Monthly Unique Users?

The total number of unique visitors that came to a site in any given month is your monthly “unique visitors.” This does not include repeat users. You can also track unique users by other lengths of time (day, week, time of day). You can also track uniques on each story.

What Are My Monthly Page Views?

Monthly page views are the total number of pages that were visited on your site in a month. We often see this number reflect a multiple of engagement for unique monthly users, i.e.: if you have 100 users per month, each of whom consumes 3 pages, your total monthly page views will be 300. You can also look at this by length of time (day, week, time of day) or, if based on an individual story, how many times that story was viewed.

How Do People Find Your Site?

The key to building site traffic is knowing how people find your site. There are three big levers that you can pull to impact how an audience finds your site. These are commonly seen on a pie chart that looks like this in Google Analytics.

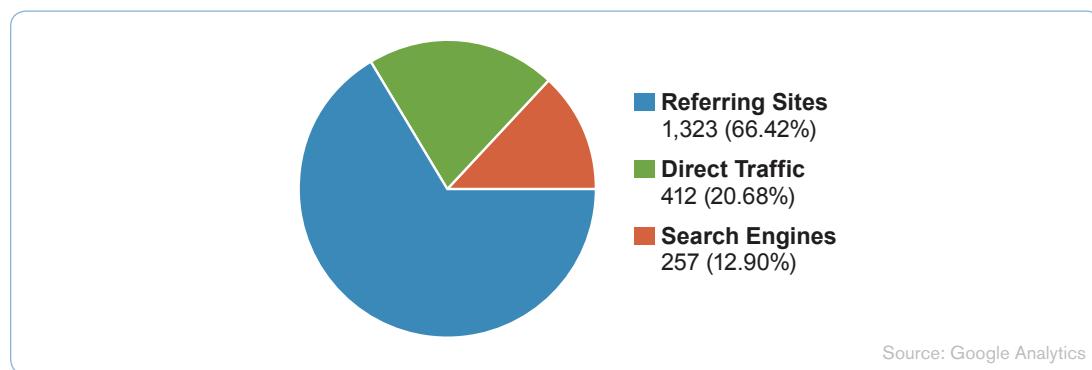


Figure 16 | Site Visitor Referral Analytics

²⁶ We suggest Google Analytics as the standard measurement tool for INN members. For an understanding of useful definitions of site metrics visit: <http://www.google.com/support/analytics/bin/answer.py?answer=99118>

- **Search Engines:** The way most new readers find your site is through search. Search requires a great deal of forethought when you develop your site; consider how it's coded, what metadata you put on your pages, how you build sitemaps, and finally how you write your content on a day-to-day basis. Writing for search engines requires a style that is keyword dense and often flies in the face of flowery narrative; fortunately, it is generally good with short, newsy, inverted pyramid styles of writing.
- **Direct Traffic:** These are people that come to your site directly for its content. They know your web address, have it bookmarked, and return regularly. Growing direct traffic numbers can be a solid indicator of brand awareness and loyalty amongst your users.
- **Referring Sites:** These are sites that send you traffic, often places that will link to your content. Various outreach activities, link building collaborations and partner relationships can help grow this number. It's generally built with story-by-story merchandising of pieces to other places on the web (see more below on referral footprint building).

We encourage online publishers to dive deeply into their referral analytics. Pay close attention to all the sites that are picking up your content. Take the time to visit them, understand them, thank them for the links and build a relationship with the team, so that you can rely on them to link to the next similar story:

- **Blog and Community Outreach/Social Media:** The ability for users to share your story with friends on Facebook or link on Twitter will also drive referral traffic and can deepen engagement with your brand offsite (in Facebook fan pages and other online communities). In the past two years we have seen social sharing sites constitute the top five referrals on most news sites, indicating that social media programs are highly effective for news sites. Aggressive blog and group outreach can also be effective when you have content on a specific topic that may be interesting to a discrete audience that you can track, and contact online.
- **Distribution Deals:** Sites can establish regular content distribution deals with other sites that produce reliable traffic; INN members have deals with companies as diverse as AOL Patch, Yahoo! and other regular content partners. When content is fully distributed to partners, attribution and links back can be requested as part of the deal to drive audience and brand awareness for your own site.
- **Promotions or Paid Referrals/Ads:** Traffic can also be driven by promotions on third party sites in the form of direct advertisements or promotions for your site. These types of programs would result in referral site traffic or through paid ad performance (beyond the scope of this document).

How Loyal Are Those People? How Often Do They Come Back?

A loyalty measure is important to demonstrate regular traction with an audience. You can find a simple report in Google Analytics describing how many users returned each month by number of visits. For example, of 100 users: 50 people came back once a month, 30 people twice, 15 people three times, and five people four times a month.

Distribution and Collaboration Strategies Are Also Part of the Mix

Distribution is always part of the mix in audience development efforts. Through sharing content, one can build a brand, establish visibility and bring traffic and members back to your site. Many of the sites that we have classified as audience development sites also have robust distribution strategies.

The voiceofsandiego.org has an impressive distribution strategy, and over the past several years has greatly matured the kinds of collaborations and packages that it offers its media partners in print, broadcast and online. It maintains a regular content-sharing agreement with Yahoo! that provides the Voice its largest regular and reliable source of content. It has a regular monthly paid syndication deal with *San Diego Magazine* for photos and editorials, and a paid broadcast partnership with the local NBC affiliate that began several years ago as a free collaboration to get exposure. The latter has grown into twice-weekly paid collaborative segments produced with the reporters at the station.

It now has a broadcast quality camera in its office and can record segments from there. "We look at these broadcasts as a way of expanding these stories," says Camille Gustafson, voiceofsandiego.org's former Marketing and Development Director. She explains that this relationship grew over time and "the NBC news editor was forward-thinking and the relationship worked well because there were nimble people in both organizations dedicated to making it happen. We weren't so lucky with other attempts to partner with local broadcasters. It takes vision and commitment to get regular programming in place," (interview, June 30, 2011).

Staffing

Just as with distribution, it takes focused efforts to power successful audience engagement programs. Many local sites have hybrid staff working in the community to bring people into the site through events, forums and online activities. Others have dedicated engagement editors whose job it is to drive up the numbers for time spent onsite.

From an outside perspective the role of "Community Engagement Manager" can seem very much like a hybrid of community and social media producers commonly found in news, community and marketing services sites. However, the job often does not include offsite activities and is solely focused on deepening the relationship of onsite visitors with the content and programs.

Opening up newsrooms, creating direct ties to the community and allowing these interactions and conversations to impact and evolve the quality and reach of the journalism are critical to scaling the audience, who through its involvement becomes more loyal and committed to the mission of the organization.

Bringing It All Together

Developing an audience can take time, patience and skills that are different from, yet complementary to journalism. INN members are building local and topic-specific brands that must become familiar, understood, and trusted over time by the target communities that can and will support their work.

The size and loyalty of that audience has direct correlation to the sustainability of the organization. If you can pick the right measures, grow your numbers, and demonstrate impact, you can garner the support of funders and other philanthropists to sustain your operation until you have sufficient audience that provide enough direct support to cover your operating costs.

Although a member organization's view of its audience may change overtime, a willingness to focus and grow in meaningful ways is critical to success.

B. Distribution: The Fundamentals of Content Distribution Deals

We define distribution as the placement of journalism produced by one organization in the product of another organization. In some cases this is pure distribution, and in others, a product of some level of collaboration between organizations.

Why Do It?

Reaching the Right Audience

Securing third-party distribution for original journalism is one of the most important challenges facing INN and its member organizations. It is not enough to produce great journalism in a vacuum – you have to find the right audience to deliver the desired impact.

In many cases, INN members have built their own distribution channels (website, email lists and print) but are also actively pushing their content out to other organizations; collaborating and sharing in their audiences to ensure larger often more targeted reach. These two approaches are not mutually exclusive but represent the two pillars of INN member approaches to the market.

Organizations that run robust direct sites generally pursue a parallel distribution strategy for some or all of the following reasons:

- **Marketing and Promotion:** To build direct audience, distribution increases brand awareness and visibility.
- **Reach:** To reach a larger or more targeted audience.
- **Resources:** To collaborate, share resources and expertise, and improve reporting and packaging.
- **Revenue:** To develop a new source of direct revenue (pay for content).
- **Impact:** To increase the potential for action and/or change as a result of the increased exposure.

We found that several sites quickly became overwhelmed by the complexities of keeping up with a daily news site, and the audience numbers they realized do not justify the effort. Those sites are now converting to marketing-driven sites for their organizations. This is a hard lesson, since many invested resources heavily upfront in their development.

Collaboration Complements Distribution

INN members are exploring a variety of distribution options, and the network collectively comprises a great deal of experience. Many of these are not pure distribution deals, but artful collaborations between local and national news organizations.

While much of what we have to say in this section can also apply to collaboration, Sandy Rowe, former editor of the *Oregonian* and a Knight Fellow at the Shorenstein Center at Harvard recently published a notable report entitled *Partners of Necessity: The Case for Collaboration in Local Investigative Reporting*. In it you will find in-depth case studies on INN members and other local sites, how they approach these relationships, and what they have learned through partnerships with the public, educational institutions and local media.

In this paper we have attempted to capture that experience in context, mapping distribution tactics more directly to market opportunities. Our hope is that this approach will bring structure and consistency to types, configurations, packages and pricing of distribution deals.

To that end we have surveyed both the “demand side” media properties where there is a growing appetite for third party content and the “supply side,” the various types of content and packages being distributed to these partners.

Understanding the Market Opportunities

In our interviews with the “demand side,” we learned that there is significant opportunity for INN members to create distribution deals that expose their content to large audiences and begin compensating them for a portion of the cost of producing that journalism. The opportunities and market needs look different depending on the type of nonprofit news organization we consider:

- **Startup shops** are not only producing content that local and regional news outlets are increasingly unable to provide, but they can also offer services, such as training or computer assisted reporting services to media partners.
- **Topic specialists** have an opportunity to become the go-to sources for coverage on focus issues as news organizations cut beat reporters who formerly provided that kind of consistent and knowledgeable coverage. They can use this exposure to develop the niche audience that is interested in the particular topic they cover.
- For **community-driven** news organizations, distribution with third-party outlets is an opportunity to leverage different media – radio, television, print, online and mobile – to build brand recognition within the community they serve, and grow their membership.
- **Large shops**, such as CPI and ProPublica, already have strong brand recognition within news organizations. For them, the opportunity lies in building their reach. They have the capacity to innovate on packaging their unique content to reach local and non-traditional audiences. This packaging can also serve as a revenue driver.

Understanding the Market Challenges

Despite market opportunities, INN members know very well that establishing on-going deals that can provide a steady stream of revenue, promotion or other necessary value to their organization's sustainability is not easy.

Our research suggests that members are not yet well-equipped to systematically evaluate the value of their content and to structure deals around its distribution. The inherent challenges differ, depending on how stable and mature the organization is, and how it has structured its operations.

- **Newer, smaller startup shops** and **community-driven news organizations** struggle to establish credibility within media markets. Even when they start getting traction, they have difficulty carving out the time and resources necessary for these often-alien business development and deal making tasks.
- **The topic specialists** face a related challenge. The focused nature of their journalism makes long term deals a tough sell to media partners. They must make many individual deals, which gobble up man-hours in structuring deals and even delivering the content.
- The major news outlets where **larger, more established organizations** tend to publish are wary of paid deals for investigative content. For these larger nonprofits, the challenge lies in building out distribution regionally and locally, and packaging their content to increase revenue from each distribution deal.

The chart below summarizes what we see as both the opportunities and challenges per archetype:

Figure 17 | Challenges and Opportunities in Distribution

Sample distribution challenges faced by INN Members, organized by archetype

Distribution		
	Opportunities	Challenges
Startup Shop	Provide investigative reporting that local and regional news outlets are increasing unable to provide; Provide value-added training and data services.	Potential partners do not know whether to trust the work. Others may view new entrant as a threat.
Topic Specialist	Become recognized national/regional topic experts that a breadth media partners consistently turn to for topic coverage.	Specialists lack the flexibility of giving news organizations journalism on the wide range of topics that engage their audiences.
Community-Driven News	Using other local news organizations, especially radio, television, and print to build brand recognition and grow audience.	May be seen as a competitive new entrant by other news organizations; online distribution can dilute engagement efforts.
\$1 million+	Produce highly impactful and innovative, multimedia investigative journalism with significant distribution through national, regional, and niche media partner.	A cost of distribution with major outlets is relatively low levels of compensation for stories.

Choosing Partners

Who Do You Partner With?

There's a lot more to doing a deal than just getting picked up and getting paid. Ideally deals should be strategic, offering multiple value drivers and potential long-term returns.

In consulting with journalism organizations, the Osder group often uses the following framework to sift and sort through a variety of opportunities and to roadmap the ones that are best suited to

a client's long term goals. From a strategic point of view, a good deal is one which delivers the best fit and maximum value in four key areas:



Figure 18 | The Balance of Partner Qualities

- **Mission:** Is the partner a good match for my mission? Will it further my credibility and enhance my impact? Does it provide a good proof of concept for my strategic objectives?
- **Reach:** Is this partner the best channel to optimize my impact? How many people does the partner reach? Are they the right people?
- **Compensation:** What form of payment is most important from this partner? Credit? A link-back? Cash?
- **Buzz:** Which partner will deliver the most impact measures, including news agenda setting, social promotion, recognition, or referrals?

Unless a deal delivers some explicit, articulated value in each of these quadrants, it's hard to imagine it being a smart use of time for a small organization.

Why Would They Want to Partner With You?

Disintegrating business models have resulted in the downsizing of newsrooms across the country. Phil Bronstein, who recently stepped down as Editor-at-Large at Hearst Newspapers, told us, "Investigative is the first place newspapers go to make cuts, and no newspaper budgets will grow anytime soon," (interview, August 8, 2011). While that's not an absolute truth – a minority of established media organizations have increased their focus on in-depth reporting, albeit with shorter timeframes than the I-teams of yore – most newsrooms have made significant reductions in this area.

The numbers can be alarming, and in many cases, newsrooms are losing their most experienced (and expensive) reporters capable of producing the kind of journalism now produced by INN members. According to the Pew Research Project for Excellence in Journalism, between 2005 and 2010 the Nation's newsrooms lost 25 percent of their reporting and editing capacity. A recent FCC report on the "Information Needs of Communities" said in no uncertain terms that these cutbacks "have undermined the ability of newspapers to perform their role as the nation's watchdog."²⁷

²⁷ FCC Information Needs of Communities Report: The Changing Media landscape in the Broadband Age, 2011.
<http://www.fcc.gov/info-needs-communities>

Despite these cuts, the news media still need to compete, and the breadth and quality of their content is an important ingredient in not only maintaining competitive advantage but also preserving their hard won credibility and role as watchdogs for communities. Given these market realities, it seems quite natural that media outlets would look to independent news producers to supply valuable content on topics of significant interest to their audiences.

Getting in Your Potential Partner's Head

We talked at length with a wide array of current and potential partners for INN member content. We regularly heard that “theoretically there was a need and interest,” but a variety of cultural, media specific, legal and operating concerns continue to be hurdles that INN members must overcome. INN members need to remain cognizant of partner concerns in advance of conversations and work to configure their pitches to address these concerns.

Andrew Heyward, former President of CBS News and a veteran of similar deals, offered some good perspective and a clear list of requirements from broadcasters: “Our job is to make the interesting news important, and the important news interesting. While stations may be desperate for material, there are real and contradictory issues to address. The first is legal vetting; networks have staff lawyers. If a station doesn’t have a staff attorney, running this stuff can create real costs. The second, will the story resonate with my viewer and can I make good television out of it? Lastly, there are a whole host of mechanical issues including credit, who goes first, exclusivity, level of their reporter’s involvement, media assets, available b-roll, video interviews, how early does collaboration happen?”(interview, August 24, 2011)

Robertson Barrett, Head of News and Finance at Yahoo!, identified the high-value Yahoo! News puts on journalists who are proven subject matter experts, and consistently produce impactful, unique journalism. Phil Bronstein, an Editor-at-Large at Hearst Newspapers, explained the importance of a partner who understands and writes to master narrative topics that have consistently proven to resonate with Hearst newspaper readers. The Managing Editor of the *Orlando Sentinel*, Mark Russell, highlighted the value he places on partners whose stories attract new audiences to the Sentinel, and save his editorial team time and money.

Priscilla Painton, former assistant managing editor of *Time Magazine*, Editorial Board of Pro-Publica, and Editor-in-Chief of Simon and Schuster, cited some successful examples of collaboration but quickly added that there can also be a real cost of collaboration, citing several well-known examples where mistakes were made—for example, freelance work wasn’t fully vetted through the fact-checking system—and years were spent apologizing.

Painton went on to caution INN members to think about the kind of stories they offer, who they offer them to, and how they pitch them: “There can be a real chasm between what reporters investigate and what the public cares about.”

She concludes that the two things she would want to hear in a pitch are: “I am going to give you a story that will make people mad,” and “I am going to let you vet the story in exchange for credit,” (interview, July 26, 2011).

These are just two examples of what we call partner requirements, or value drivers. Value drivers are product attributes that increase the value (in the form of currency, branding, or reach) of your offerings to partner. INN members who are able to increase these value drivers in a systematic way are able to negotiate more equitable distribution deals with media partners.

We compiled the following list of value drivers from interviews with INN members and executives on the demand side:

Figure 19 | Partner Needs

Product attributes that increase the value (Currency, Branding, Reach) of your offerings to partner

Value Drivers	Definition	Problem Solved for Partner
Impact	Measurable effect of public-interest journalism.	News organizations cannot afford to produce this kind of reporting, which often doesn't directly drive revenue that matches the cost of production.
Flexibility	Willingness to work with partners on publication schedule, content format.	Editorial staffing runs thin at many news organizations, and they are not structured to manage outside collaborators. Showing flexibility makes their lives easier.
Master Narrative Topics	Story topics that resonate with audiences and can serve as a base for follow-up stories.	Media organizations need predictable, consistent and relevant content that appeals to their audiences and provides those audiences a reason to come back.
Bringing an Audience	Content that captures new eyeballs, typically through search and social media.	Showing you bring new audiences and engagement to a partner can be very valuable for new organizations focused on expanding its readership.
Multimedia Products	A set of linked photos, video, infographics, interactives.	Multimedia packages increase potential engagement with a story, making your content stand out from other third party content (e.g., wire service, freelance), and allow partners to better monetize it online.
Localization	Writing/producing a story from the perspective of a particular location/region or highlighting local sources on a national story.	Local details increase relevance with regional audiences and advertisers.
Subject Matter Expertise	Expertise in a differentiated topic.	With fewer resources for beat staff, news organizations need reporting that shows a unique depth of understanding of specialized subject matters.
Training Services	Offering media partners training on specific stories, topics or skills to expand internal capacity.	The rapidly shifting technology and economic landscape for news organizations means that reporting staff is expected to do more with less. Training those reporters on areas of your expertise helps them stay current.
Frequency of Production	Expectations set around timing of new content.	To provide value over time, partners need to know you produce high quality content with regularity.
Unique Content	Differentiation of content in the marketplace.	There's little value in approaching a partner on a story it has already covered, or is capable of covering internally.
Exclusivity	Limiting content to a partner.	Some partners still like exclusivity. Exclusivity should be granted when they offer the kind of reach you would otherwise get from a set of smaller partners.
Liability Reduction	Using insurance and putting careful vetting processes in place to reduce liability.	News organizations are risk averse, and liability issues add friction to a deal.
Cost Savings	Showing that publishing your work saves your media partner money.	Improving the editorial bottom line is very valuable to today's struggling news organizations.
Time Savings	Saving a media partner time its staff would have spent reporting or producing a story.	Time savings allows media partners to focus on what they do well, creating efficiencies and bottom-line impact.
Personal Brand Equity	The value of the 'brand' of your reporters, editors and management.	Investigative news is not a commodity; distribution deals are ultimately based on the credibility of the people in your organization.
Intellectual Property Rights	Legal rules that state who owns or controls content across specific media.	Rights management is expensive and complicated. Granting rights is proprietary across all media is easiest for partner but may not be in an INN members' best interests.

Doing Deals – A Business Development Primer

What follows is a guide for INN members to think through distribution deals. Much of this can also be applied to collaborations, which we have said earlier are an important part of the landscape of opportunity for INN members.

INN members have varied levels of complexity and experimentation when it comes to distribution deals. Some members have evolved their distribution from a few partners with limited compensation to more than twenty partners with enough financial compensation to constitute a significant share of the organization's operating costs. This didn't happen overnight. It was the product of a thoughtful, strategic approach to distribution. We have distilled our findings into a five-step strategy:

1. Articulate your value proposition.
2. Target complementary media organizations.
3. Package your product.
4. Establish the right reference point.
5. Grow the relationship over time: evolution not revolution

Articulate Your Value Proposition

Creating a distribution strategy begins by understanding the existing need and being able to articulate how your organization fills that need. The founding members of INN launched their organizations because they understood that there was a need for the kind of work they are producing. In most cases, they had the support of stakeholders such as foundations and donors that shared that understanding.

This understanding of need, and your organization's plan to address the need, is your value proposition. Your success in delivering that value is based on a set of success metrics explained in the previous section. The more concrete data you can bring to your value proposition, the better. Some examples:

- Make up for a reduction in the number of journalists who cover your local/vertical.
- Demonstrate positive social media metrics about scale and intensity of interest in your coverage area.
- Show correlations with the success of similar journalism models in similar locals/verticals.

Your value proposition underlies any deal negotiation. You cannot expect your media partners to know that the work you do is valuable to an audience. You have to tell them multiple times, in multiple ways.

Target Complementary Media Organizations

When considering who will be a good media partner for your nonprofit news organization, it is important—especially for startup organizations—to choose partners who are ‘low hanging fruit.’ For example, when the New England Center for Investigative Reporting was first starting out, the

team approached several news outlets in the Boston area, including the Boston Globe. The center quickly learned that while some of the smaller players, including TV and radio outlets, were willing partners, the Globe was less amenable to a deal that included financial compensation.

The lesson is that though the Boston Globe has a large footprint and is the most prestigious news organization in the region, it was not a good revenue-generating partner for the New England Center. The Globe is relatively well staffed with investigative reporters capable of doing the kind of work being produced at the New England Center. Instead, the center turned to partners who were not capable of doing the work that they do.

That said, the Globe has run a number of stories produced by the New England Center and has had an on-going relationship for years with the Initiative for Investigative Reporting at Northeastern University, run by Walter Hamilton, who retired from the Globe in 2006 after a 36-year career which included heading the newspaper's investigative team.

Based on our interviews, we found that there is a tendency among INN members to first turn to their personal networks to secure initial distribution of their content. While this is certainly a smart way of getting to decision makers, you may not be getting to the best partner for this stage of your organization's development.

Create Smart Packages

If you want to develop regular revenue streams through paid partnerships, you need to offer your distribution partners content packages. These packages become less commoditized and more valuable as you offer more products and services your distribution partners need.

- **Journalism Products.** The Internet is converging different media. Newspapers are producing video content, and television news channels have robust websites. Media companies put increasing value on journalism packages that include not just multimedia elements, but also data. These products allow news organizations to better engage their audiences, and from a deal perspective make the work you do more unique and less replaceable.
- **Journalism Services.** Another way of increasing the value of a deal is by bundling in services that save your partner time and money. Some examples include:
 - Infographics and multi-media
 - Training services
 - Localization/customization of content

Like journalism products, journalism services can significantly increase your leverage in negotiating a deal.

The following table is an example of the kind of product that you can offer a partner on a regular basis. Through our research, we found that in single-piece syndication deals, partners are looking for stories packaged along with related materials, graphics, photos, etc. For regular feeds a partner would need to know content type (subject matter and section), length (word count or video length), the amount (how many pieces will come), and the frequency (how often pieces will come).

The following is a list of products and services offered by INN members – many of them obvious – broken down to make the point that they can be sold à la carte or bundled in myriad ways in distribution deals with partners.

Figure 20 | Journalism Products

Outputs of the journalism production process; they can be combined in packages

Product Name	Definition
News Stories	Original reporting and follow-ups (Daily).
News Analysis	Daily pieces/blog posts that add context to other reporting (Daily).
News Stories (In-Depth)	Original in-depth reporting (1 week).
Enterprise Investigations	Deep, unique investigative reporting (2-4 weeks).
Investigative Reports	Long-form, in-depth investigations that have significant regional or national impact; often data-driven. (3-6 months or longer).
Investigative Topics	Super stories or aggregate collections. Investigative reports with follow-ups, news, and analysis.
Multiple Versions of Stories	Modular versions that can be easily used and mixed on various platforms or with different partners.
Story Localization	Adding specific local data points to broader regional/national stories for different local media partners.
Packaged Series	A series on a single story, packaged so media partners can time or phase publication of each series item.
Photos	Original photography related to stories.
Graphics	Associated collateral (logos, illustrations, cartoons and other artwork, etc.).
Infographics	Visual reporting (timelines, data plots).
Interactives	User-driven online applications.
Videos	Video presentation of stories (quality dependent on target media—e.g. download vs HD broadcast).
B-Roll Video	Related footage that can be used in creating packages (often unedited).
Datasets	Data used in story reporting that can be used for additional story item by media partners.
Training	Work with and train reporters and others on reporting and services such as computer assisted reporting.
Expert Network	A database of expert sources that can be used by journalists within and across news organizations.
Podcasts, Broadcasts and Conference Calls	Typically audio background where the audience can hear about a story from the reporters who wrote or produced it.
Events	Live gatherings, conferences, seminars and lectures focused on educating, building community and showing appreciation.
Expert Chats/Discussions	Online chats with interested audience about stories.

Establishing the Right Reference Point for the Deal

News organizations tend to understand the outsourcing of content from the perspective of freelance contracts, wire service agreements, or syndication deals. While not always possible, it's important for INN members to try to frame their deals with partners not as freelance deals, but more as syndication deals.

In the author's opinion, freelance deals are not a good deal structure under which most INN members should be operating for three reasons:

1. Deal size: freelance compensation is based on payments made to individuals, not organizations. They don't take into account the value-add that a team brings to journalism, and don't compensate for the overhead costs of maintaining an organization.
2. Risk: Freelance contracts are negotiated individually, making them vulnerable to the short-term fortunes of the media partner.
3. Cost of deal making: Each freelance project is negotiated separately. This adds up to a significant amount of time spent in deal negotiation.

Instead, by touting:

1. Your value proposition,
2. How your content complements the potential partner's work, and
3. The unique package of products and services you offer, you can frame the negotiation as a kind of lower-cost syndication deal.

Configuration of packages that explicitly target the needs of your distribution partner is important. Although some work and partnerships are distinctly customized, having some general configurations of your journalism products and services will help. Some example syndication packages:

Figure 21 | Distribution Packages

Examples of different bundles of journalism products, and how deals can be structured around them

Package	Package Contents	Distribution Partners	Deal	Examples
Syndicate	Package of big stories offered in advance for a fee.	Broadcasters, newspapers, online news.	Contracted fee that can be “per use” or flat.	New York Times Syndicate, Scripps Howard/United Media.
Wire Service	A steady feed of content from one source or an aggregation of sources.	News media and other organizations.	Contracted flat fee.	Associated Press, Bloomberg, INN-Reuters.
Freelance	Single stories, often features pieces. Sometimes bundled with photography.	Many news organizations utilize freelance talent.	Per-story fee.	Many of the writers in the <i>LA Times</i> features section.
Single Story	Investigative reporting, and analysis.	Multiple local and regional partners, include print and radio.	Per-story fees, paid at freelance rates.	<i>Initiative for Investigative Reporting at Northeastern University, Investigative Newsource, Fair Warning.</i>
Big Reach Syndication	Unique enterprise investigative journalism with broad national appeal that MSM has cut back on; often accompanied by datasets, infographics and multimedia content.	Major, reputable national or regional news sources with significant audiences; Occasional use of niche publications.	Free or small per story fee. Good attribution and control of content. Linkage to website desired.	<i>ProPublica, Pulitzer Center, CPI.</i>
Content + Syndication	Regular production of journalism bundled with training, computer-assisted reporting, multimedia content.	Multiple channel local and regional partners, include print, TV, radio.	Organizational partnerships, often with annual fees/ subscriptions, joint production.	<i>CIR, New England Center for Investigative Reporting, Rocky Mountain News Network.</i>
Proprietary Syndication	Content standardized to be shared with services companies.	Commercial information services, education.	Contracted fee that can be per use or flat.	Newstex.
Local Partnerships Destination Sites	Daily publishing of community news.	Complementary local media partners, community newspapers.	Organizational partnerships, with or without flat fees.	<i>The Notebook, MinnPost, Voice of San Diego.</i>
Freemium	Regular delivery of email with access to all published content, aggregated content, and special premium reports.	Individuals and organizations with unique interest in topical content.	Annual fee.	<i>Gigaom Pro, Consumer Reports.</i>

This list is neither finite nor exhaustive. We've seen a variety of creative programs, from CIR's coloring book on earthquake preparedness (distributed to 40,000 school children in California and republished in Spanish, Chinese, and Vietnamese) to NYU Studio 20 students that created a rap style video for ProPublica to help explain fracking.²⁸ There are endless possibilities for collaboration, repurposing and creation of additional media.

²⁸ <http://www.youtube.com/watch?v=MPQ1SyFyJFM> ProPublica Fracking Video

Thinking About Compensation

After you can describe your “journalism products,” you can begin to think about all the ways in which you wish to be compensated for them.

One of the traps that nonprofit organizations fall into is thinking of distribution deals only in terms of a financial exchange. Paid distribution is certainly an important goal. It allows INN members to diversify their revenue streams, makes them less reliant on donors and foundations, and gives them the operating capital needed to grow.

However, money is not the only item of value that a media partner can receive in exchange for content; organizations need to be creative about all the things they need and how, when, and where they can get it.

In our conversations with INN members, we learned they were being compensated for their products and services in ways that fall into four broad categories: Currency, Barter/Trade, Branding, and Reach. We believe that all should be considered in the long-term structuring of deals.

- **Currency:** The act of getting paid in exchange for providing products and services. Currently, several members, including CIR/California Watch and FairWarning are conducting such deals on a regular basis. Nonprofit news organizations typically “charge” below costs in order to be consistent with IRS tax codes regarding maintaining exempt status.
- **Barter/Trade:** Something with explicit value that could be traded for products and services. For example, the *St. Louis Beacon* gives local public media free use of journalism products and collaborations with Beacon reporters in exchange for office space.
- **Branding Value:** Actions on the part of media partners that increase awareness of the content producer and build associations. Many INN members, including the Maine Center and Watchdog Institute for example, focus on getting media partners to publish not just a byline attribution, but a full logo with a link back to the member’s website.
- **Reach:** Media partnerships bring value to your content by expanding the audience for a particular story or project thereby greatly increasing your impact. Value can be generated in small ways, with linkbacks to your site, promotion of your content via social media. (The Atlantic.com features a widget that links back to stories on the Pulitzer Center’s website.²⁹) Or in larger, more strategic ways—witness Washington state changing three laws in 2011 in response to stories by InvestigateWest linking exposure of chemotherapy drugs to illness and death among health care workers, and the widespread use of a carcinogenic pavement sealant.

²⁹ <http://www.theatlantic.com/international/archive/2011/08/finland-looks-for-a-mystery-person-spreading-poliovirus/243604/>

Figure 22 | Forms of Payment for Journalism

Ways in which media partners can compensate you for using your work through their distribution channels

Payment Form	Definition	Category
Money	Monetary compensation on an <i>à la carte</i> basis, as part of a regular subscription, or as a one-time payment/gift.	Currency
In-Kind Infrastructure / Office Space	Free or discounted use of office space/vehicles/equipment.	Reach
Barter	The trading of content for content or other good.	Trade
Labor	Subject matter expert resource to assist in the development of a story.	Trade
Attribution	Clear attribution of work as negotiated by both parties.	Branding
Endorsements	Explicit endorsement for the quality/value of your work through media outlets, to potential funders.	Branding
Partner Reputation	Implicit value captured from having your content distributed through a highly regarded media partner.	Branding
Ad Space	Free or discounted use of print, online, or broadcast advertising space/minutes.	Reach
Link Backs	Links to your website and content through online properties, social media, etc.	Reach
Promotion	Promotion of your content through on-site or on-air house ads and spots on online properties, social media, etc.	Reach

Traditional Pricing

There are many ways in which markets set prices for goods and services. Some of these economic principles can be effective strategies for INN members to use when they are negotiating distribution deals:

- **Penetration Pricing** – Prices are initially set low to achieve high penetration among distribution partners. Once these partners are dependent on your content, you increase prices. Increases in prices often come with additional products or services. This must be implemented strategically with a “Plan B” and “Plan C” if distribution partners resist the price increases. You must be willing to drop distribution partners or limit the rights given to them if they will not cooperate with a price hike.
- **Cost-based Pricing** – Prices are calculated based on the costs of producing a story (staff time, data, etc). Like an agency that tracks detailed costs, cost-based pricing requires accurate and auditable record keeping. While INN members may not be able to recover the full cost of a story, knowing the true cost of production can help you plan your distribution strategy and can provide critical guidance in deal negotiation. It is important to note that as nonprofits, INN members cannot make a profit on stories, and should be operating with the goal of underwriting as much of their content costs as possible.

Cost-based arguments can be compelling in conversations with partners. For example, INN members have found success in negotiations when they compare the cost to a newspaper of maintaining an investigative news team against the fee for access to the member's stories.

- **Comparative or Substitute Pricing** – Prices are determined based on the prices set by substitutes such as expensive wire and photo services. This can be a very effective pricing strategy for INN members, if used correctly. It is critical that INN members use the correct substitutes in the comparison. In most cases, freelance rates will not be a good substitute, because they fail to take into account the organizational overhead that most INN members have. Rather, members should point to pricing of other syndication deals and wire service deals when negotiating their own distribution deals.
- **Value-based Pricing** – Prices are calculated based on the value created for the customer. While this is impossible to calculate directly for investigative journalism, INN members can point to a demonstrable impact produced from similar stories in the past.
- **Freemium Pricing** – In a freemium model, a class of content is given away for free to anyone who wants it. Another class of content, often specialized, in-depth reporting or datasets, is offered to a premium class of subscribers. This model can be particularly effective for topic specialists. Success with this model requires a member to identify a subset or niche audience that is accustomed to paying for other, related information services (e.g., Lexis-Nexis) as a regular part of doing business.

Evolution not Revolution

INN members have been innovative and methodical in how they have built their distribution networks. We found that the most successful members exhibit some shared characteristics in their approach to partnering with other media organizations.

1. They take a long-term view to partnerships.
2. They approach partners with well-packaged sets of products and services.

The value in taking a long-term view is highlighted in the deal evolution at the Rocky Mountain Investigative News Network (I-News). When I-News first began distributing content to partners, it gave the content away for free. The team understood that as a new player, it had to build trust and goodwill with these organizations. But it set expectations up front that the free deal was temporary, and in time it would begin charging. Once distributors had clearly come to appreciate and rely on its content, the Rocky Mountain team was able to charge for the value of its services.

Similarly, the broad packaging of journalism products has consistently proven to be something that increases the value of distribution deals. One of the most sophisticated examples of packaging is being done at the Center for Investigative Reporting and California Watch. Here, the products offered to paying partners include short news updates, long investigative pieces, video, and customized local content. Partners can count on CIR to deliver a package that consumers will engage with on several different levels. Since repeated engagement on the part of consumers makes commercial news companies more money (e.g. through online advertising revenues), they are willing to pay a premium for CIR's packages.

Staffing

We've laid out a context for reaching distribution deals and an understanding of several ways that you can be compensated for your content. The hope is that young organizations (those under three years old) will consider early on how critical, complex and time consuming building and managing distribution relationships can be.

We found that in most of the younger organizations the founders generally performed the distribution activities for their organizations. This makes sense since most of the founders have both the connections and the drive to start the conversations, since securing distribution was part of their overall strategy. This work can quickly become overwhelming, especially when combined with tasks related to managing the organization and practicing journalism.

For organizations over three years old, there's a need to use precious funds to diversify the staff on the "business side." These are often a hybrid between a development, marketing/PR, community outreach, social media and membership coordinator.

CIR's Meghann Farnsworth was hired in 2010 as the distribution and online community manager for California Watch. Over this last year she evolved the program, and along with other key staff, has begun creating a membership and a community model. Part of her job is getting feedback on what worked and what didn't, and then adjusting the course of managing these critical functions.

She also laid out two key phases to her work:

- **Pre-Release:** This is the offering up of stories to partners: getting on their schedule, confirming their deadlines, taking their custom requirements and getting them into the workflow (Localization, B-Roll, Video, etc.) and scheduling a run date. She has lots of tactics for teasing stories with partners, keeping them informed about what's coming up.
- **Post-Release:** After a story runs with partners, her job is not over; that's when she checks with outlets who didn't take the story and see if they may want to write about it now. Post-release activities also include social promotion and increasing the overall visibility of the story, getting the brand out and setting up the next distribution opportunity. She also checks with partners, takes feedback and tries to improve the process and the product with each release.

Pursuing distribution strategies requires both skill and trial and error. As questions of pricing become more crucial, the role of a traditional sales or business development person becomes more pressing. Certainly this is a challenge for a young organization, so learning from the best practices of a business development professional can't be a bad idea.

Farnsworth suggests: "Find someone that understands journalism and journalists, but also understands marketing, who can bring that passion for the stories and translate it into marketing." (interview, August 17, 2011)

Penny Abernathy recounts the role of her sales team at *Harvard Business Review* and the *New York Times* News Service: "I would never have a journalist doing these deals; they are client relationships. We need two eyes and ears hearing what clients want and tuning our offerings to their needs."

If you don't want to do the critical work of marketing and sales and/or are not good at it, you must from the outset of your organization, find and work with someone who is.

V. Paths to Sustainability

As nonprofits, INN members are driven by their mission to educate the public through the news and information they produce. To realize their missions, each organization needs to be able to generate enough revenue to pay its salaries and expenses, invest in new programs, and be secure in the knowledge that it can continue to do so in the future. In a word, the business models of these nonprofit news organizations need to be sustainable.

Sustainability for most INN members means reducing their reliance on “the few” and moving it to “the many” – from a few angel donors or foundations to revenue streams from a variety of products, services and mission-driven activities.

We've seen pure grit bring many INN members to market, begin to show traction and define the critical ingredients for a recipe of success. But there are still challenges. As Dick Tofel reminds us, “it's easy to confuse the top with the bottom line.” Just because an organization has revenues or is “making money,” this does not mean it is making enough money, or has adequate long-term funding to achieve sustainability.

In this report, we have focused our attention on two key strategies for building organizations and focusing efforts for revenue diversification: distribution and audience development. There are well-tested, successful strategies for building revenues through paid distribution of content, and by monetizing audiences. INN members need to ask not whether sustainability is possible, but how to achieve it, in what timeframe, and according to what expectations.

There is no tried and true recipe to answer this question, but good nonprofit management practices include strategic planning, an understanding how to measure success, and a willingness to constantly innovate.

No Room for Not Invented Here Syndrome

Nonprofit funding and content business models are relatively stable, predictable and understood, and there is a great deal of past experience with optimizing these models.

Steve Katz, Publisher of *Mother Jones*, said, “For whatever reason, there is a gap between the new and local startups and the network of longstanding nonprofit journalism shops that have been through the sustainability wars and are still here. For the start-ups especially, this is a real loss. It's not as if these guys really need to reinvent the wheel all by themselves. The rest of us have been at it for a long time, with sobering results: there are benefits and costs of doing this nonprofit approach – there's no magic, just a lot of hard work,” (interview, September 24, 2011).

Founded in 1976, *Mother Jones* has a commendable 35-year history, which, as Katz notes “from [the] beginning...was treated as a nonprofit, but using best practices for commercial operations, we knew that as a mission-driven organization we needed to develop smart business practices to survive.” Today, 45% of *Mother Jones*’s revenues are from earned sources including circulation, advertising and events.

Foundation support for *Mother Jones* has been under 12% of gross revenues, the balance of other philanthropic support has been high net worth individuals, and community-supported NPR-style donations driven by the print magazine’s subscriber list. In 2010 this donation program grew to 27,000 “members.”

Author Elizabeth Osder made similar observations in working with *The Nation* magazine, a 150-year-old publication, noting that there is so much experience in revenue diversification, membership models, and events that it seems silly not to be shining light on the best practices of the most mature nonprofit news organizations. In a thoughtful blog post called “Pioneers Who Paved the Way,” Katz also makes the point: “I fear this may reproduce the traditional – and these days irrelevant – division between ‘mainstream’ and ‘alternative’ media, and narrow the conversation about our shared future. Why not learn from the experience of many people who have struggled for years with the same issues the new news outfits are confronting today?”³⁰

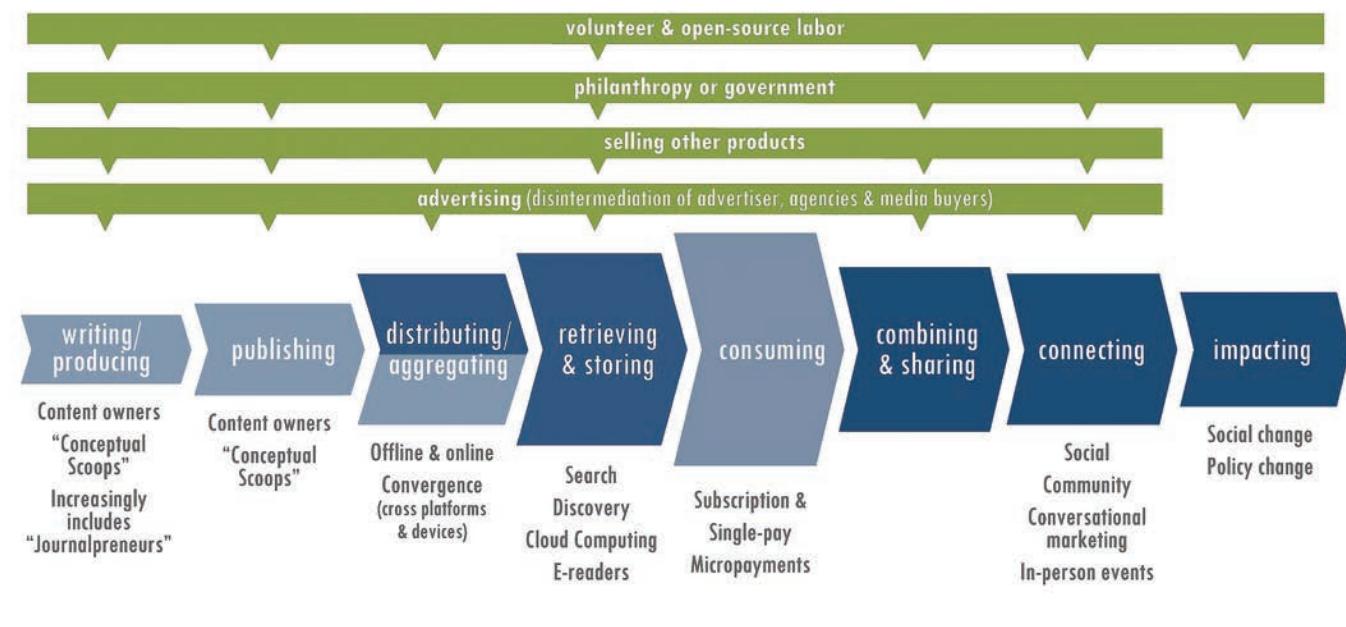
The Media Consortium, a national network of independent media outlets including *Mother Jones* and some of the other long-standing nonprofit (albeit politically progressive) journalism shops published an excellent and accessible report in 2009 called “The Big Thaw,” that has many of the attributes we hope this report will deliver: a practical, useful and directed tool kit that can help start meaningful conversations.

We particularly found their discussion of value chains and illustration of the new media value chain useful in seeing the landscape of actions and activities discussed in this report.³¹

³⁰ Steve Katz, Publisher, *Mother Jones*, “Pioneers who paved the way”
<http://maimonidesladder.com/2009/12/07/the-pioneers-who-paved-the-way/#entry>

³¹ Tony Deifell, Q Media Labs - Value Chain for Journalism
<http://www.themediaconsortium.org/2010/01/28/new-value-chain-of-journalism/>

New value chain (working model)



Source: compiled from interviews. The new value chain is a working model based on observed industry dynamics.

Credit: Media Consortium

Figure 23 | New Media Production Value Chain

One notable new funding option is so-called “crowd-sourced” models, or micro-financing platforms, which help connect donors directly to projects they care about.

Similar to Kickstarter, INN member Spot.US provides freelancers or organizations a platform to solicit funding for specific story projects. In these models, a community of interest comes together and donates money to a particular reporter or organizations that wants to pursue the topic. Oakland Local has successfully used the model to drive some of its specialty reporting.

When asked about sustainability issues, Carol Lobron, COO of Combined Jewish Philanthropies of Greater Boston and a 25-year veteran of nonprofit leadership and management, answered succinctly, “no margin, no mission,” (interview, September 18, 2011).

CJP is an interesting model in that it works with over 80 community organizations. Over its tenure, it has provided a number of services, including insurance. Today it is far more focused on endowment, has more than \$500 million under management, and considers itself a “community innovation engine.” Although it runs some programs, most are funneled through partner agencies, supporting transference of ideas, capital and opportunity among its members.

Lobron also summarized some points we heard frequently in our interviews: “I have never seen a truly successful nonprofit without a strong board. Philanthropy is essential and its critical to identify people with a passion for the mission and involve them in formulating the big ideas.”

Benchmark Growth and Stability Over Time

Journalists, especially investigative journalists, are similar to artists in that there often isn't an efficient market where they can profitably sell their work. Unlike journalists, artists have a long tradition of patronage and the philanthropic approach to supporting arts organizations is clear.

In the past, few were called on to support investigative journalism. At best, underwriting and support were sought for a particular investigation, documentary, or for organizations like public radio and broadcasting that provide an array of content, not just investigations or news.

The decline of many news media business models (and news businesses) over the last five years has created a noticeable journalistic void, and dozens of organizations have been founded with hopes of filling the gap. Foundations that rarely would invest directly in investigative news projects have begun to support them, with over \$187 million in grants in just the past five years. Although many of these organizations are nimble, entrepreneurial, and quite capable of doing great journalism, each of the 147 organizations receiving these grants must also bear the burden of building an organization, creating an infrastructure and covering overhead.

At the start of their journey as nonprofit organizations with their eyes toward doing great investigative reporting, many don't understand the real burden for the long haul: covering their operating budgets, the so-called KTLOs (keep the lights on) that provide the infrastructure for their work.

In general, foundations fund programs, but nonprofits need operating money or they won't survive. While an organization like INN can help with reducing redundancy and increasing efficiency with various programs like group insurance and technology support, it can't remove this most basic operating hurdle.

Strategies for content distribution and audience development offer opportunities for unlocking additional revenue streams that in time can contribute to offset the real costs of overhead. They have to be pursued with an eye toward business and understanding and serving a customer.

Margie Freivogel, Editor of the St. Louis Beacon, said, "Sometimes you are blinded by your passion and don't figure out what you need and get it in place. We started with a passion for journalism coming out of a newspaper background and we found ourselves running a business and technology enterprise; when we brought those skills on it was a big turning point," (interview, August 24, 2011).

INN's 60 members represent a wide array of organizational types, ages and strategies. Based on our interviews we have captured a sample of what the evolution of an organization might look like over time. These are meant to be samples, a baseline so that members are less likely to fall into the trap of forgetting that where they start is not where they will end up. Larger, more mature organizations like ProPublica, voiceofsandiego.org and others have changed and evolved over time.

Distribution Maturity Model: Grow Products and Relationships Over Time

"It is hard to value something you haven't seen. You wouldn't buy a car unless you had a test drive." – Mark Russell, Managing Editor, *Orlando Sentinel* (interview, August 11, 2011).

Lucrative, mutually beneficial distribution relationships take time to grow. Editorial teams at news organizations need to trust the journalism producers they partner with. They want to publish reporting that is well-vetted and very high quality, especially when dealing with the kind of accountability journalism produced by INN members.

Furthermore, if you are trying to establish a relationship that spans more than a single story, editorial teams also have to trust in the organizational capacity of their supplier (you) to consistently and reliably produce high quality journalism products that they cannot or will not produce themselves.

We've charted an example of the evolution of a distribution deal over time:

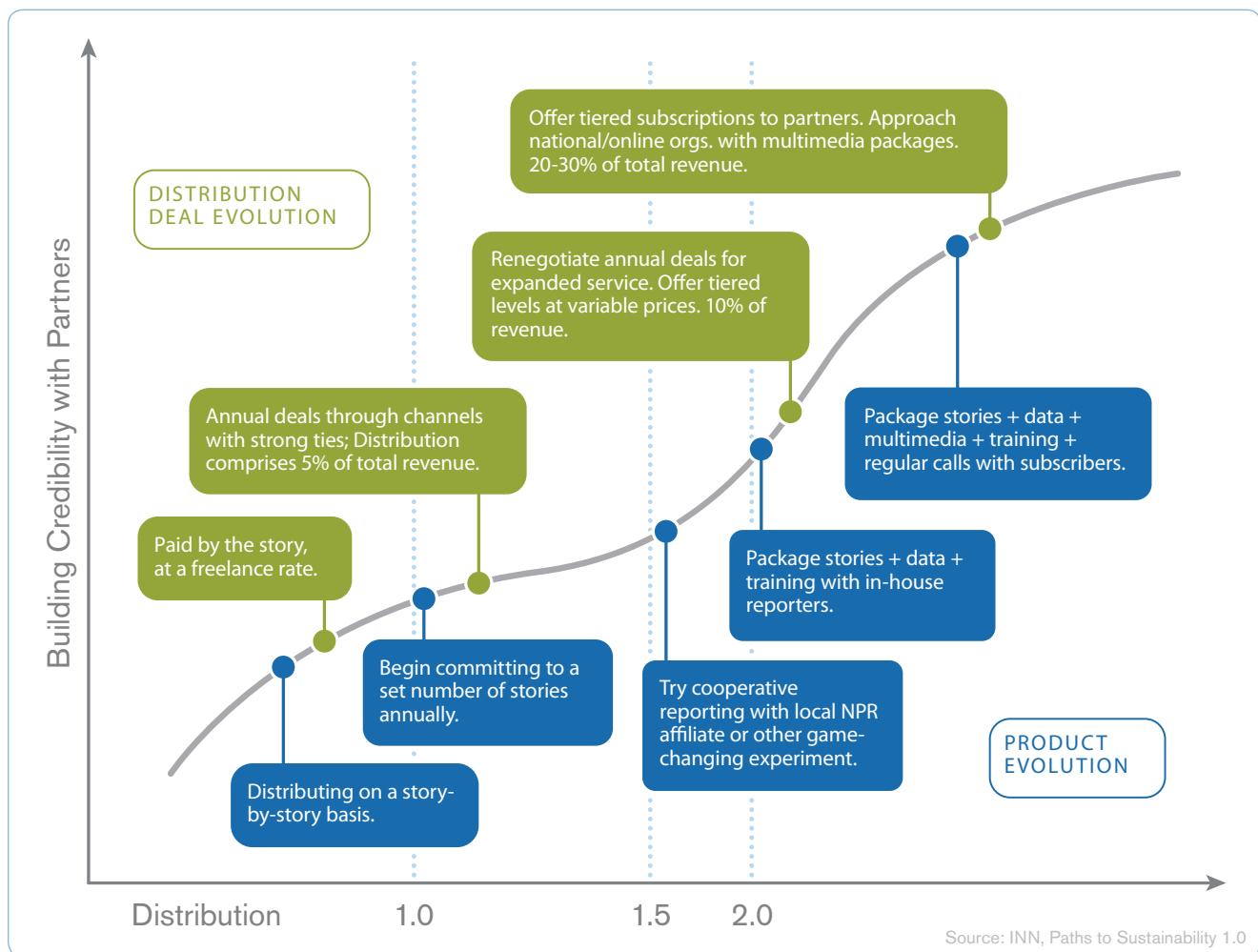


Figure 24 | Distribution Maturity Model

In this scenario, a nonprofit investigative news outlet launches and begins publishing its stories through media partners on a piecemeal basis. After a few stories, media partners have a chance to build a level of trust with the content produced. The nonprofit also has a better sense of its output capability.

- **Distribution 1.0** | At the 1.0 version of the site, the investigative outfit is able to promise a set number of stories in a given period of time. It negotiates with media partners for fixed fee per story or, if possible, annual deals. The news organization promises a consistent output of stories that its partners see as valuable. Setting a low price, it now generates 5% of its operating budget through distribution deals.
- **Distribution 1.5** | After securing several deals, the nonprofit begins its first joint reporting project with a local public media outlet or other partner. This exercise allows the organization to hone its effectiveness as a partner, and serves as an example of the quality and cost savings that can be realized through cooperation.
- **Distribution 2.0** | The nonprofit now begins offering distribution packages that include stories, datasets related to the stories, and training sessions with reporters at the partner organizations, so they can utilize the datasets for follow-up stories.
At this point, existing distribution deals are renegotiated at a higher rate, with tiered service depending on how many stories and what extras the partner wants to access. Distribution is now bringing in 10% of operating revenue.
- **Distribution 3.0 and beyond** | The nonprofit becomes increasingly indispensable to its partner organizations. It is able to sign up national distribution channels, and continues to expand the breadth of services provided. Distribution contributes 30% or more to the organization's operating revenue.

As media organizations with large audiences become more sophisticated about paid content, organizations such as those run by INN members must position themselves as content partners, rather than just another supplier of the seemingly endless stream of content on the Internet. Their work needs to be a “must have” for its quality and ability to engage consumers across several media platforms. To do so, INN members need to think strategically about how they put together their offerings, while continuing to produce the high-quality content they are known for.

Audience Maturity Model: Cultivating an Audience Takes Time

As with distribution networks, growing an audience is an evolutionary process. Audiences need to build a relationship with your brand, your staff, and each other over the course of time. For audiences to open their wallets and become contributors to your organization, they have to feel that they can count on you to deliver the benefits of good journalism and community engagement on a consistent basis.

Moreover, it takes time for you to understand the needs of your audience, and experiment with programs. Here we have charted an example of the maturation of audiences over time:



Figure 25 | Audience Development Maturity Model

Initially, a new organization is tasked with simply building brand awareness. This can be achieved through direct marketing to customers, or collaborations with other news organizations. Distribution of your content with prominent attribution is one way of building brand awareness.

As visitors begin coming to your site, it is important to “redirect” as many of them as possible into the funnel. One way of doing that is to create one or several email newsletters that are real value-adds for your audience, and that allow you to communicate directly to your audience. The consistent nature of email newsletters also serves to build reliance on the information you produce.

Social media is also an important way to connect with and build your audience, not least because your core readers can act as powerful advocates and amplifiers of your message. Internally, you need to start segmenting your audience. By breaking it up into categories (e.g. potential donors, contributors, advocates, organizers, readers), you can better target your messaging, extract the most value for each group, and increase your relevancy to each. It's worth experimenting with your target segments. For example, begin sending out donation solicitations to those you identified as potential donors from attendees at a “meet us” event.

Once you are generating a 5% share of operating costs through donations and you understand the fundraising process, you can begin building a full-fledged membership program. Members might have access to special content and services, or get special recognition on the site. A membership program will have to continually be tweaked.

Once you are driving a more significant share of operation costs from memberships, you can explore expanding membership perks and other incentives through events such as fundraisers or lectures.

Staffing and Measurement

The Right Skills and The Right Experience

Great media businesses have always been built with the vision of great editors, but the time and instincts of a great editor don't often align with the operating needs of a start up, let alone a nonprofit. Success requires a confluence of talent, news judgment and pragmatic story selection and production management.

Chuck Lewis, founding executive editor of the Investigative Reporting Workshop and a Professor at the School of Communications at American University stated succinctly, "There has to be an instinct by these scrappy nonprofits to zig when everyone else zags. When traditional media are incapable and unwilling to cover something, they have to have the gumption to do it. There is a lot of low hanging fruit; shorter pieces can have big impact, the key is finding and doing those stories that are manageable to get done," (interview, September 7, 2011).

The business world that INN members operate in is extremely fragile. The kind of high-quality investigative news that INN members produce is complex, and requires more infrastructure, multi-disciplinary talent and more stability than the vaunted backpack journalists adventuring from story to story.

The entrepreneurial "mojo" that it may take to start one of these ventures may not be the same management "mojo" that it takes to run and sustain one of these organizations. After the journalism, very real skills and experience are required to operate, productize, brand, distribute and sell this content. Some of the talents required include:

- Nonprofit Management (fundraising, legal, tax, etc.)
- Fundraising (grants, membership programs, events)
- Business Development (partners and deal structures)
- Marketing and Sales (packaging, pricing, distributing)
- Operations (offices, infrastructure, billing, payroll)
- Product Management (develops features, services, technology and innovations)
- Technology (infrastructure, distribution platforms, etc.)
- Legal (liability, vetting, etc.)

Sustainability requires not only funding or revenue, but also access to domain experts in the functional areas listed above. We've heard time and time again that INN members have had to refocus resources quickly to aid in the operations of their ventures and prioritize these skills on their teams. For organizations focused on audience or distribution strategy, we see a number of titles and job descriptions, including:

- Development Officer
- Membership Director
- Marketing Manager
- Engagement Editor
- Community Coordinator
- Community Engagement Manager
- Promotions Manager
- Audience Development
- Product Manager

Measurement Needs to Support Mission

How an organization thinks about success and chooses to measure it is critical to an ongoing dialogue with funders. It is also essential in the inevitable testing and process of moving new content and services packages to market.

Common, well-understood, and proven measures can be helpful in motivating stakeholders around programs that support your mission and can help prevent the “shiny object syndrome” that often distracts organizations from their core work. Across our interviews we saw a variety of measures being applied to INN member projects. The table that follows attempts to gather, define, illustrate and categorize some that we saw. We chose to create three categories for measures that may be helpful in thinking of a balanced approach:

1. **Buzz:** Issue-based, those that create conversation, further engagement.
2. **Reach:** Audience-based, those that bring more people to your message directly to larger audiences.
3. **Money:** Funding-based, those that can drive additional direct or indirect revenues.

Combined, these metrics allow an organization to measure the impact of its work.

Figure 26 | Success Measures

How INN members keep track of the success of individual projects, as well as general improvements in their organizations

Measures of Success	Definition	Metric	Example	Category
Causality	Work created some change in policy or the enforcement of laws.	Verifiable change in policy or law enforcement.	Reporting on the exploitation of a tax loophole spurs legislature to amend the tax code.	Buzz
News Agenda Setting	Work triggers coverage by other news media.	The number of follow-ups, op-eds, and references in print, online, radio and TV news.	12 follow-up news stories counted by Google Alerts.	Buzz
Social Promotion	Work is discussed and referenced by a broad audience (social media, entertainment, water cooler).	Number of social media references; Net Promoter Score (NPS).	47 Tweets and 143 Facebook Likes of a particular story; NPS +50.	Buzz
Recognition	Professional groups recognize the quality and importance of the work.	Awards.	Pulitzer Prize.	Buzz
Referral Links	Links to your site for search, direct, and referring sites.	Number of links in web analytics.	240 page views from referring sites.	Buzz
Distribution	Work is placed across large and/or many distribution channels.	Aggregate reach of media partners.	Circulation, monthly page views, TV eyeballs.	Reach
Member/Audience Size	New, regular audience with affinity for your brand.	Growth of unique, repeat visitors (web analytics), RSS subscribers, email newsletter subscribers.	47% increase in unique visitors; 1,200 more newsletter subscribers.	Reach
Community/Audience Engagement	Moving audiences "down the funnel," increasing their level of engagement with your activities.	Change in the number of members, donors, event attendees.	20% increase in paid memberships; 1% decline in member churn rate.	Reach
Social Media	Attention you command on social media platforms.	Growth of friends, followers on social media platforms.	4,000 Facebook fans; 500 Twitter followers.	Reach
Paid Distribution	Value extracted for work from distribution partners.	Percentage of production cost.	30% increase in distribution revenue as a share of non-SGA costs.	Money
Donors	Individuals providing financial/in-kind support of your organization.	Number of donors, gift size per donor, level of donors.	120 more donors. 25% increase in gift size per donor.	Money
Foundation Support	Financial support from philanthropic foundations.	Number of foundations, grant/gift size per foundation.	2 new foundations added.	Money
Organizational Viability/Planning	Cash flow to continue operations.	Months of operating costs in the bank.	12 months worth of funding available to operate without further fundraising.	Money

Some of the metrics listed in Figure 26 lend themselves to easy measurement. Others require dedicated effort to monitor, particularly if they involve tracking effect over time of an action (such as the Government Response metric). But keeping track of organizational performance, in both cases, is critical. INN members are trying to build business models where the path to sustainability is not clear. Correctly identifying and reading performance data allows ideas about new programs, partnerships, or organizational procedures to emerge.

VI. Conclusion

While there are a growing number of success stories amongst the INN membership, all members have a long way to go to reach a reliable level of sustainability. The revenue opportunities emerging from both distribution and audience-development activities need to be charted and matured over longer time horizons than an industry pioneer may have thought.

INN members have demonstrated that nonprofit journalism can develop revenue streams, but the time it takes for those efforts to meaningfully offset operating costs remains uncertain. This makes fundraising and a variety of philanthropic activities a long-term necessity and makes meeting the expectations of a diverse group of stakeholders a significant cost of doing business.

Media consultant Ken Doctor reminded us that, "It doesn't matter if you are for-profit or nonprofit; if you plan on a large editorial staff, you are facing the same issue in paying for your content. There is no market-based economic model that is going to support that kind of news operation in 2011 or for the foreseeable future," (interview, August 19, 2011).

The crossroads of nonprofit investigative journalism, technology, and business provide ample distractions and often-contradictory incentives that pull organizations off course into trending opportunities or tactical diversions. We stress a pragmatic approach and the kind of strategic thinking that keeps organizations on mission, realistic and on track.

Simultaneously running a nonprofit and juggling investigative journalism is not a simple balancing act, and requires management and business skills that may not be natural for investigative journalists. However, the real success of these organizations is born from their journalism, the stories they choose to do, and the rigor to which they connect that work to their strategy. Strategic story choices are the day-to-day tactics that are at the heart of questions that drive sustainability:

- What kind of journalism needs to be done?
- What is my audience? How will I reach it?
- What kind of organization do I need to create to sustain that?

Chuck Lewis points out a basic fact, which is all too easily forgotten in discussions of entrepreneurship, nonprofit management and fundraising: "There is a real connection between the substance of the journalism and the success of the enterprise; almost every group wants to learn how to raise money, they all think they know all that they need to know about journalism."

While foundations have been generous, it's clear that nonprofit newsrooms need to invest more time and focus on infrastructure. Steve Katz of *Mother Jones* speaks frankly and accurately, "Foundations work on a three-year product cycle, and anyone who thinks a foundation will stick with them for a long time needs to get into a new trade."

Katz continues, “What is needed is a ‘takeout’ strategy: if you stay in for only three years, part of your grant making has to be infrastructure development – you have to build a business operation that’s equally as good as your reporting operation. It can’t just fall on the Executive Director of a startup. Responsible philanthropy is thinking that through from the get go, and for foundations that means thinking it through for the long haul.”

There is no shortage of excellent training programs, great research and endless web resources on the topic of funding media start-ups. Many of the most successful organizations we talked to benefited greatly from the training programs at the Knight Digital Media Center.

New York-based Creative Capital’s long standing approach to funding artists is similar to what some foundations are currently exploring for non profit journalism. Creative Capital helps increase the chances of success for arts, by treating artist’s projects like small businesses and similar to the venture community. Rather than funding a project and commissioning a report, Creative Capital gets deeply involved in the success of those organizations. Executive Director Ruby Lerner says, “venture capitalists don’t just write somebody a check and say, ‘Send us a report at the end of the year.’ They are there throughout the building of a business to provide money as benchmarks are met.”³²

We’ve sought to create a relevant context for much of this report, one that focuses on content-distribution and audience-development and how each might help contribute earned revenue that could increasingly contribute to the long-term sustainability of an organization.

We stand at an important crossroads, and the current scenario reminds me (principal author Elizabeth Osder) of my own part in the founding of the Online News Association. Over a decade ago, I got together with colleagues in the fledgling world of “online news” to build an organization that would support journalists working in entirely new kinds of organizations.

Much like the early days of ONA, when we believed that standing together, online journalists would have more impact than standing alone, INN is still in its nascent stage. The organization is identifying the needs of its members, developing its programs, and building a structure that will in time enhance the network effect of nonprofit investigative journalism.

From pragmatic offerings like insurance, to network business development opportunities like syndication through Thomson Reuters, INN provides critical infrastructure for the network to achieve meaningful scale and focus on the very real hurdles ahead. This is a large topic. More than that, it’s a dynamic movement, one that at times has seemed as difficult to grasp as lightning in a bottle.

We have catalogued the types of organizations that are taking shape and the kinds of packages and operating models that are taking hold. Most importantly, we have tried to capture the many ways that INN members are creating value.

³² Interview with Ruby Lerner, Executive Director, Creative Capital
<http://foundationcenter.org/pnd/newsmakers/nwsmkr.jhtml?id=191500002>
Posted on October 8, 2007 in Philanthropy News Digest.

Many of these could become the ingredients of a more streamlined and consistent portfolio of member content products and packages that we hope can establish mature pricing models. We suggest a handful of strategies for furthering the nonprofit investigative news movement, including:

- **Acknowledge that philanthropy remains a critical source of support for investigative journalism.** Partner with funders for long-term support while incrementally increasing the share of operating revenue that comes from earned income. Understand that while national foundations can provide a kick-start, organizations need to find funding from individuals, communities of interest and geographically focused organizations. The communities that need a watchdog press need to be motivated and activated to sustain it.
- **Reduce member operating expenses by centralizing services.** While INN has begun to reduce costs and operating complexities at member organizations by offering group insurance, there are many other areas where INN can provide access and infrastructure, including: content management and publishing systems, ancillary technologies like email services, related content and back-office accounting services, centralizing analytics and reporting, sales and business development to create a platform for the creation and delivery of investigative journalism.
- **Normalize your content.** Prepare it for syndication and sharing by establishing metadata rules, style guides, and other tools for consistency and ease of use.
- **Act as a unit.** Bring scale and stronger bargaining power to setting pricing and valuation criteria.
- **Streamline evaluation criteria.**
 - **Focus on metrics that matter:** Continue the work started here to identify the metrics that are most core to the mission of INN members, and try to unify membership around a similar set of operating metrics and goals.
 - **Reduce funding friction:** Work to apply metrics for success across INN member organizations and with funders. Try to streamline the reporting of successes and challenges to free up resources to serve your core mission.
- **Benchmark maturity:** Look at your growth over time, the diversification of revenue, and compare yourselves with the appropriate stages of like organizations.
- **Experiment and learn from each other:** Work with members and new entrants to understand what it takes to build a sustainable nonprofit organization, ask the hard questions about the right way to go, and look for innovative solutions.

The possibilities are just starting to become clear. We hope that we have been able to bring some order to the chaos of nonprofit news operations by codifying some of the basics and addressing the larger concept of how to approach sustainability.

VII. Appendix

Figures

Figure 1: Time Spent with the News "Yesterday"	12
Figure 2: Media Production Value Chain	13
Figure 3: Project Management: Balancing Limited Resources	14
Figure 4: The New Media Marketplace (photo: ©2011 Torsten Stahlberg)	14
Figure 5: Stakeholders in Nonprofit Public-Interest Journalism	18
Figure 6: Balancing Mission and Business	20
Figure 7: 6 Forces Market Analysis	22
Figure 8: Revenue Diversification Simulation: Start-Up Shop	28
Figure 9: Revenue Diversification Simulation: Topic Specialist	28
Figure 10: Revenue Diversification Simulation: \$1 Million Plus	29
Figure 11: Revenue Diversification Simulation: Community-Driven News	30
Figure 12: 2010 Revenue Diversification in Nonprofit News	31
Figure 13: Nonprofit News Landscape by Age, Distribution, and Engagement Strategies	34
Figure 14: Audience Engagement Funnel	39
Figure 15: Revenue Streams by Audience Size	40
Figure 16: Site Visitor Referral Analytics	42
Figure 17: Challenges and Opportunities in Distribution	47
Figure 18: The Balance of Partner Qualities	48
Figure 19: Partner Needs	50
Figure 20: Journalism Products	53
Figure 21: Distribution Packages	55
Figure 22: Forms of Payment for Journalism	57
Figure 23: New Media Production Value Chain	62
Figure 24: Distribution Maturity Model	64
Figure 25: Audience Development Maturity Model	66
Figure 26: Success Measures	69

Interview List

Abernathy, Penelope. Knight Chair, Digital Media Economics at UNC at Chapel Hill. (Interview, August 24, 2011)

Amico, Laura, Editor Homicide Watch DC. (Panel Interview ONA, September 27, 2011)

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Houston, Brant. Chairman of the Board, Investigative News Network. (Interview, August 25, 2011)

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Resources

Knight Community News Network

Is a self-help portal that guides both ordinary citizens and traditional journalists in launching and responsibly operating community news and information sites.

<http://www.kcnn.org/site/>

Knight Foundation Website

Search for articles on non-profit news, and you will find over 300 available at <http://knightfoundation.org>. Several of Knight's reports are included in our research report section, some notable articles include:

- Knight Foundation, "Review of Local Nonprofit News Ventures." January 1, 2010 available at <http://knightfoundation.org/publications/review-nonprofit-local-news-ventures>
- Knight Foundation, "Knight Community Information Challenge: Report from the Field," available at <http://knightfoundation.org/blogs/knightblog/2011/2/19/reports-field-2011/>

Launching a Nonprofit New Site

http://www.kcnn.org/launching_nonprofit_news_site/introduction

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http://www.kcnn.org/launching_nonprofit_news_site/step_one
- Step 2: Determining Your Structure
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- Step 3: Building Your Board
http://www.kcnn.org/launching_nonprofit_news_site/step_three
- Step 4: Filing Documentation to Create your Organization
http://www.kcnn.org/launching_nonprofit_news_site/step_four
- Step 5: Establishing Sound Policies
http://www.kcnn.org/launching_nonprofit_news_site/step_five
- Step 6: Budgets and Business Plans
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- Step 7: Step Seven: Connecting with the Community
http://www.kcnn.org/launching_nonprofit_news_site/step_seven
- Step Eight: Collaborating with Others
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- Step Nine: Building Your Digital Presence
http://www.kcnn.org/launching_nonprofit_news_site/step_nine
- Step Ten: Measuring Your Impact
http://www.kcnn.org/launching_nonprofit_news_site/step_ten
- Step Eleven: Building Your Staff
http://www.kcnn.org/launching_nonprofit_news_site/step_eleven
- Step Twelve: Going for it!
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The Hub: Starting a Nonprofit

<http://www.npjhub.org/starting>

- Tax and Legal: <http://www.npjhub.org/starting/legal-tax>
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Rules of the Road

- Navigating the New Ethics of Local Journalism
<http://www.j-lab.org/tools/learning/ethics>
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<http://www.j-lab.org/tools/learning/ethics/business-and-advertising>
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Reynolds Journalism institute. August 2011.
<http://rjionline.org/news/community-engagement>

Media Consortium

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<http://www.themediaconsortium.org/>
- The Big Thaw: A report on the nonprofit news landscape
<http://www.themediaconsortium.org/thebigthaw>

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- National Public Radio, "Public Radio Finances." February 19, 2011 available at <http://www.npr.org/about/aboutnpr/publicradiofinances.html>

Creative Capital

- Creative Capital is a national nonprofit organization that provides integrated financial and advisory support to artists pursuing adventurous projects in all disciplines. Its pioneering approach combines funding, counsel and career development services to enable a project's success and foster sustainable practices for grantees.
<http://creative-capital.org/>

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- Director of Nonprofit Investigative Organizations with Funding Data
American University Investigative Reporting Workshop
New Ecosystem New Realities <http://investigativereportingworkshop.org/ecosystem/>
- Funding Database
Knight Community News Network Foundations that fund News
http://www.kcnn.org/toolkit/funding_database

Ted Talks

- Yochai Benkler, On the New Open Source Economics
http://www.ted.com/talks/yochai_benkler_on_the_new_open_source_economics.html
- Robert Roenthal, TEDxPresidio - Robert Rosenthal - Investigative journalism in the 21st Century
<http://www.youtube.com/watch?v=KgcxYCUMqeo>
- Clay Shirky, On Institutions vs. Collaborations
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Elizabeth Osder, Principal Author

Elizabeth Osder is principal of the Osder Group, specializing in digital business strategy and operations for companies navigating the changing landscape of interactive media.

Since the early 1990s, Osder's experience has been both strategic and hands-on as an executive, editor, producer, educator, and consultant for leading media, marketers, and publishing brands in the interactive space. Her diverse projects include launching *The New York Times* on the Web; *The Daily Beast* and Pulitzer Prize winning ProPublica; helping make Yahoo! News the number one online news destination; deploying the publishing system for *The Financial Times*; teaching and developing curricula for interactive journalism and online community at Columbia, NYU and USC Annenberg; and pioneering product innovations for a number of start ups working at the intersection of media and technology including the application of semantic technologies, automation and valuation science to digital media management.

Osder has published broadly on technology, innovation, and journalism and authored white papers on both the Economics of Social Media and the Economics of Online Advertising for PaidContent where she also served as editorial program director for several leadership and innovation conferences.

Osder currently serves as SVP of Strategy and Business Development for JumpTime, an early stage technology company focused on content value management. Earlier while serving as Senior Vice President of Audience (product, marketing, and programming) at Buzz Media, Osder grew Buzznet.com, an early music social networking site, to 6 million unique users per month and helped close an additional round of \$20 million in funding.

Osder served as Sr. Director of Product at Yahoo!, responsible for local, search, and social media products for Yahoo!'s global news and information sites. During her tenure, Yahoo! News became the Internet's number one news destination, serving 40 million unique users a month. Previously she was Director of Global Product Development for Overture, a leader in performance advertising acquired by Yahoo! in 2003.

As Vice President and General Manager for Razorfish's Media & Entertainment practice (formerly iXL/Scient's), Osder built a \$10 million book of business and managed cross-functional teams working on clients as diverse as NPR, *The Washington Post*, News Corp, *The Financial Times*, and Time Warner. Over its tenure, The Osder Group's clients have included technology companies including Applied Semantics acquired by Google, Evri, Inform, CrowdFactory and a diverse array of media companies including, AOL, Scholastic, The Nation, HBO, Participant Media, Bill Moyers, and others.

As Director of Product Development and Content Development Editor for New York Times Digital, Osder helped launch the Times' website in 1995 and redesigned it in 1998. During her tenure at *The New York Times* she oversaw all product innovations and partner integrations including mobile and video.

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Osder has taught in the graduate journalism and communications programs at USC Annenberg, Columbia University, and New York University in visual journalism, multimedia reporting, product development, media management, and building online community. She has conducted professional seminars in communications, business, and design in the U.S., China, Scandinavia, and Spain.

Osder is a founding board member of the Online News Association and serves on Alumnae Association Board of Trustees of Mount Holyoke College, the national Health Promotions Advisory Board for the American Cancer Society, and the Missouri Publishers Association.

Osder holds an M.A. from the University of Missouri School of Journalism and a B.A. from Mount Holyoke College. In 2001-2002 Osder was awarded a John S. Knight Fellowship at Stanford University where she studied technologies and communications.

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Kaizar Campwala is a graduate student at UCLA's Anderson School of Management. He is also an adjunct faculty member at the Poynter Institute, teaching journalists and news entrepreneurs best practices for producing high-quality journalism in this data-rich, digital era. Kaizar is the former director of operations of the online startup NewsTrust, a site dedicated to better filtering content from new and legacy media sources. At NewsTrust, Kaizar coordinated editorial activities on the site, managed partnerships with organizations such as *The Washington Post*, USA

Today, and Huffington Post, and oversaw the growth of the community to nearly 20,000 members. NewsTrust is a nonprofit project, funded in part by the MacArthur Foundation and Omidyar Networks.

Prior to joining NewsTrust, Kaizar was a consultant to the City of New York on communications infrastructure projects, including Mayor Bloomberg's "311" government information service. He earned an A.B. from Brown University in political science, with a focus on American political development.

The Osder Group

The Osder Group is a nimble and innovative media consulting firm that helps news and information companies identify opportunities, develop solid operating plans, cutting edge business and content strategies, and engaging products that deliver on the day-to-day realities of the digital media business.

Led by internet pioneer Elizabeth Osder, we pride ourselves on no-nonsense consulting, the hallmark of which are in-depth, deep-dive engagements that cover critical ground quickly and efficiently.

<http://www.osdergroup.com/>



About INN

"We, representatives of nonprofit news organizations, gather at a time when investigative reporting, so crucial to a functioning democracy, is under threat. There is an urgent need to nourish and sustain the emerging investigative journalism ecosystem to better serve the public."

– The Pocantico Declaration, July 1, 2009.

In 2009, journalists from more than 20 non-partisan, nonprofit news organizations gathered at the Pocantico Center in New York to plan the future of investigative journalism. The result of that meeting, the Pocantico Declaration, established the Investigative News Network and laid a foundation of collaboration among high quality newsrooms, all dedicated to serving the public interest.

Today, INN is comprised of more than 60 organizations in North America.

Mission

INN's mission is to help nonprofit news organizations produce and distribute stories with impact; to achieve cost efficiencies by pooling resources and services, and to develop new revenue streams that will help member organizations become sustainable businesses.

INN is dedicated to actively facilitating collaborative projects, both within the membership and including external media partners.

We also offer back office support, to give members the benefits of a larger network of support; technology, to share best practices for publishing and distributing content; and a robust communication network to engage our members, our funders and our audiences. While aiding our active members, we also seek to incubate and foster new nonprofit newsrooms.

Members

The organizations that comprise the network are diverse. Many focus on investigative and public-interest reporting, while others are community-focused in their coverage.

Their newsrooms are composed of reporters, editors and producers that have been recognized with Pulitzer Prizes, Emmys, Peabody awards, DuPont awards and Investigative Reporters and Editors awards.

Their stories have had significant impact by exposing corruption, inspiring legal and policy reforms, and alerting the public to environmental perils, financial scams and faulty products.

Their journalism is delivered in every medium, from text to multimedia, and audio to video.

Funders

INN would like to thank its funders, The John D. & Catherine T MacArthur Foundation, The Atlantic Philanthropies, Buzz Woolley, Ethics and Excellence in Journalism Foundation, Knight Foundation, McCormick Foundation, Open Society Institute, Rockefeller Brothers Fund and the volunteer efforts of its board and members, without which its work would not be possible.

The Worksheet

Introduction

INN was founded with the core belief that investigative journalism has an important mission that is essential to the public good and to accomplish that mission, the organizations that create this journalism need to be sustainable. The Paths to Sustainability 1.0 report provides depth and context on building, running and sustaining nonprofit investigative journalism organizations.

Most journalists didn't get into the profession to run nonprofit organizations, let alone businesses that produce and sell journalism. It takes more than strong investigative, analytical and writing skills to envision, fund, launch and sustain an enterprise to produce quality journalism.

This guide is designed to help readers focus on the key questions that they should be continually asking of their existing organizations, and suggest factors that should be deeply considered before deciding to start a new nonprofit news organization.

Getting Started: The Elevator Pitch

- Definition: What are you building? (One-page description and 140-character description.)
- Mission: Why are you doing this?
- Stakeholders: For whom are you doing it?
- Goals: What do you hope to accomplish?
- Objective: What kind of product or service do you need to create to meet these goals?
- How will you sustain your organization to ensure the results you hope to achieve?
- Can you “workshop” clear problem and solution statements that can guide your planning progress?
 - “We will solve _____(what) problem for _____(whom) and provide _____ benefit to _____.”
 - If we are successful, we will have accomplished this _____ for _____ and built a sustainable organization that looks like _____.

The Landscape

A. The Marketplace

- Where will you fit in the landscape of local, topic or interest based journalism?
- Who else is trying to meet the same need in this market?
- How are they doing it?
- Who are their investors?
- Who are their customers?
- Who are their suppliers?
- Who are their distributors?
- What are their strengths? Weaknesses?
- Do they offer you opportunities for partnership – or create threats to your success?
- What other news organizations do you see as a model for your own?
- How do these organizations sustain themselves financially? What are their revenue streams?
- Why are you a nonprofit – i.e., what educational or related charitable function do you serve?

B. Stakeholders

- Who are all the stakeholders to your plan?
 - Your investors (including foundations and philanthropists)?
 - Your customers?
 - Your suppliers (writers/reporters)?
 - Your partners?
- What is each group's distinct motivation or need?
- How does your organization plan to meet their needs?
- What are your metrics of success?
- How will you demonstrate to stakeholders that you are meeting their needs?

Building Your Strategy and Plan

A. Your Journalism

- What is your focus? What topics do you cover?
- What principals guide your story selection?
- How far ahead are you planning—do you keep an editorial calendar?
- What will be your primary medium? Secondary?

- What kind of journalism products and service are you offering?
- How much and what variety of journalism will you be doing?
- What packages and channels are best to distribute this journalism?
- What kind of impact do you expect your brand of journalism to have? (The desired impact helps further define the mission and goals of the effort.)
- How can you reach the audience you need to reach? Can you get specific, targeted? What distribution channels will you employ?

B. What kind of organization do you need to build?

- Which of our Four Archetypes do you most resemble? (See Page 24)
 - Who and how many people do you need to create the products/services you envision?
 - What technology or infrastructure will you need?
 - What processes do you need to put in place?
 - What is your optimum annual operating budget? What is your minimum?

C. What are you operating principles?

- What drives your choices? Mission? Stories? Reputation?
- What are the potential distractions? What are the real opportunities?
- What types of revenue streams or business models are you unwilling to use and why?
- How flexible can or should your organization be?
- Are you willing to say no to short-term gain for long-term viability?

D. How will you fund your organization?

- How will you cover operating expenses (overhead) vs. programmatic (content production) expenses?
- What percentage of your operating income will come from which activities?
- Philanthropically-based
 - Foundation support
 - Corporate underwriting
 - Individual or family philanthropy
 - Membership
- Market-based or Earned Revenue
 - Audience monetization (advertising or circulation)
 - Production
 - Distribution
 - Licensing

Market Entry and Operating Models

A. Engaging and Monetizing Your Audience

- Who is your target audience(s)?
- How will you segment them?
- How large is your audience and what kind of business model(s) does it support?
- Through what channels will you reach them?
- What does an engagement funnel look like for this audience? (See Page 39)
- What do you want your readers/viewers/listeners to do?
 - Take an action?
 - Carry your message?
 - Become a subscriber, member or contributor?
 - Visit your site at least X times a month?
- What content and services meet which audience needs?
- How have other civic/community organizations been able to monetize this audience?
- What percentage of revenue/programs can you generate from each audience segment?
- Can you make enough money from a direct audience (via memberships, advertising) to build a sustainable business?

B. Distribution Strategies:

Getting your journalism in front of the right audience to deliver your desired impact:

- What is the best channel to reach your audience?
 - Do you have to build it?
 - Are there existing outlets that already reach your audience?
 - How will you get your journalism onto those outlets?
- What value proposition are you offering your distribution partner(s)?
 - What products and services will you offer a distribution channel?
 - What kinds of content/service deals do these channels offer?
 - Do they have a history of long-term partnerships?
 - Will you collaborate with a partner?
- What compensation does the partnership offer you?
 - Branding value/attribution?
 - Access to new audiences?
 - Financial compensation?

- How can you grow the value of a relationship over time?
- What is the cost of negotiating distribution deals?

Paths to Sustainability: What is Your Plan

A. Balancing and Understanding Revenue Sources

- Given your mission, journalism and audience approach, what is the right revenue mix or business model for you to achieve sustainability? (See Archetypes, Page 24)
- How will you fund your start-up: through ongoing operations or through programs?
- What is your approach to philanthropy and fundraising?
- What are your real prospects for earned revenue?
- How long a runway of funding is required for your organization to gain some footing and get on an achievable path to sustainability?
- What role will your board play in gaining support for your organization? How committed are its members? What resources do they have access to?
- Do you have or need additional advisory committees and what distinct need would they serve?

B. Building a Business Model

- What are your income streams?
 - What is your proposed/current revenue composition?
- What percent is earned revenue from distribution or audience-based activities?
- What percentage from membership levels or small donations?
- What percentage would your major donors/foundations be willing to subsidize?
- What are your costs?
 - How much money are you spending each month (burn rate)?
 - Are the costs of adding new products and services balanced by new revenue they will generate?
 - How much time will it take for revenue from new products and services to exceed the direct costs of those products and services?
- Your Model
 - How do you balance investments in content and products with income?
 - How long will the money your funders have committed carry you at your current burn rate?
 - What does “go”/“no go” look like for your organization?

- What risk factors would hurt your ability to sustain your operations?
- At what point would you need to pivot your organization to continue to serve your mission with a different business model?

C. Paths to Maturity Models

- How do you build a roadmap for your organization's development. How do the maturity models presented in this report relate to your mission? (See Page 28)
- How do you align your vision to the realities of your resources?
- How do you measure your organization's success? How do your funders measure your organization's success?
- What is your contingency plan if major donors/foundations terminate their support?

